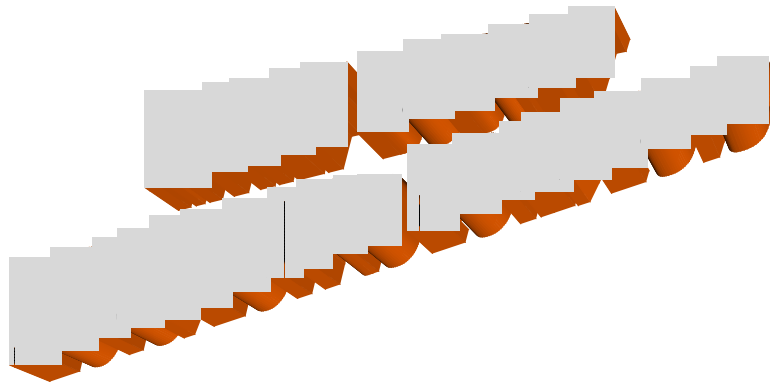




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UMJINDI

Municipality

MP 323

UMJINDI LOCAL MUNICIPALITY

2010/11 MEDIUM-TERM REVENUE AND

EXPENDITURE FRAMEWORK

EXECUTIVE SUMMARY

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality

Document Classification:
Public

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<i>DOCUMENT APPROVAL</i>			
Position	Name	Signature	Approval Date
Mayor	R V Lukhele		
Municipal Manager	S F Mnisi		
Chief Financial Officer	M S Tlali		
Business Owner	C van der Westuizen		

EFFECTIVE DATE: 1 JULY 2010



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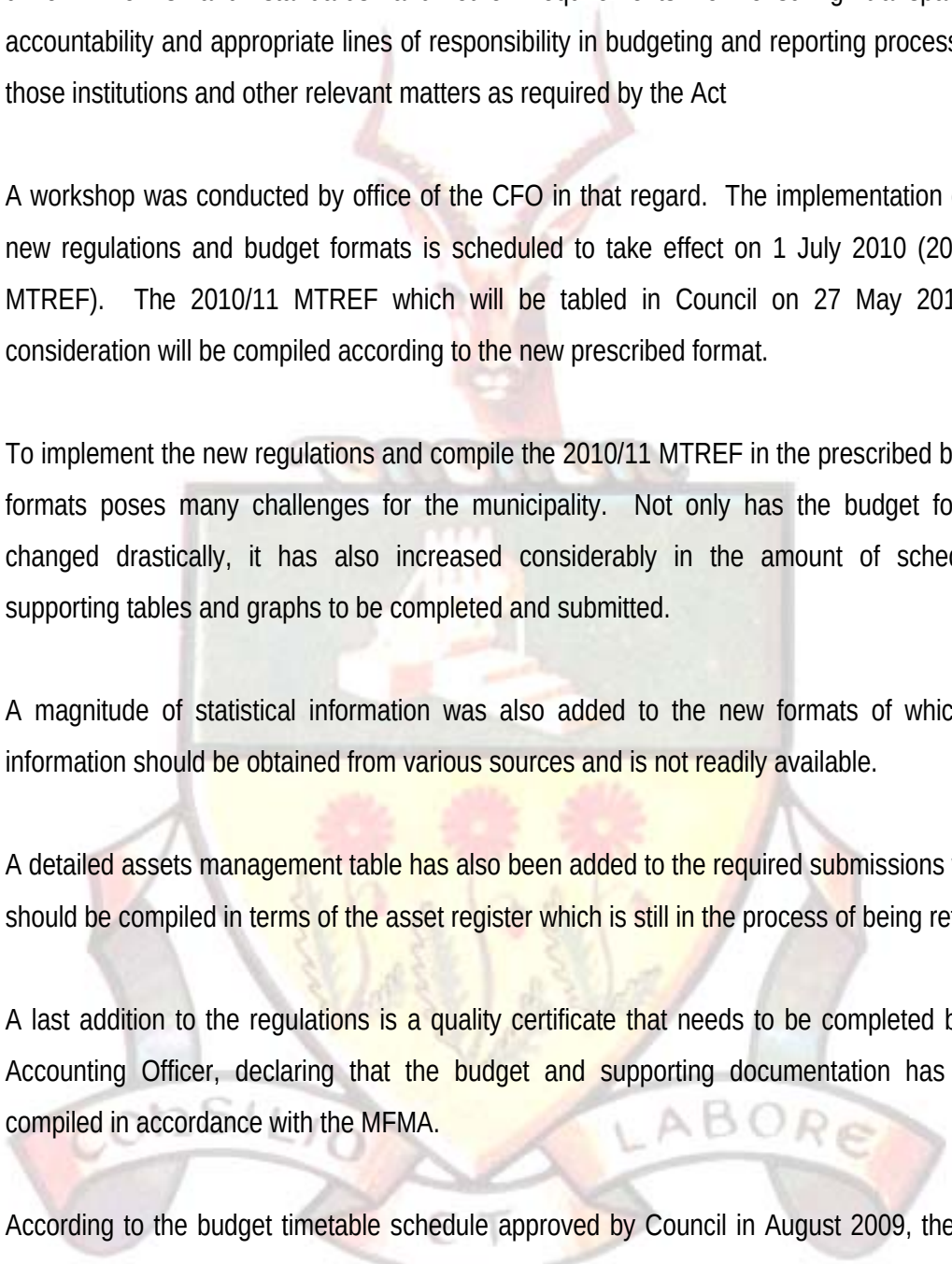


1. PURPOSE

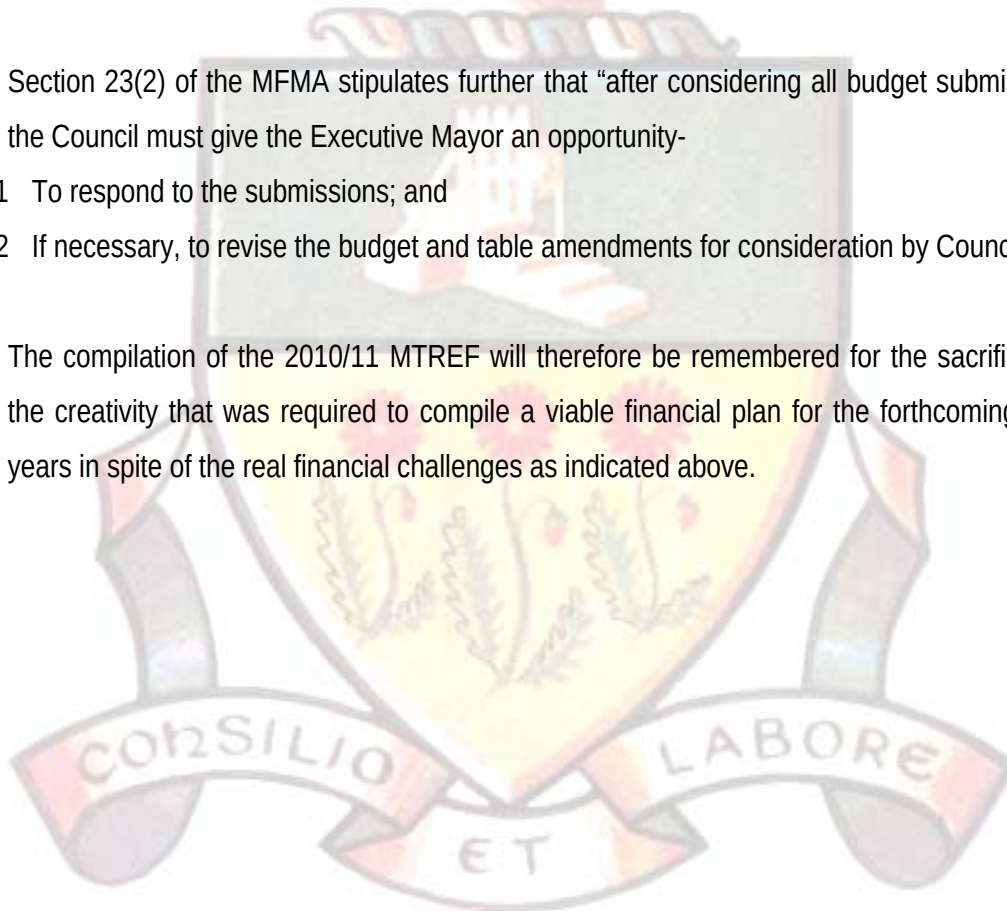
- 1.1 The purpose of the report is to table the 2010/2011 Medium-Term Revenue and Expenditure Framework (MTREF) before Council in terms of Section 24(1) of the Local Government: Municipal Finance Management Act (MFMA), 2003 Act 56 of 2003, which states that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

2. BACKGROUND

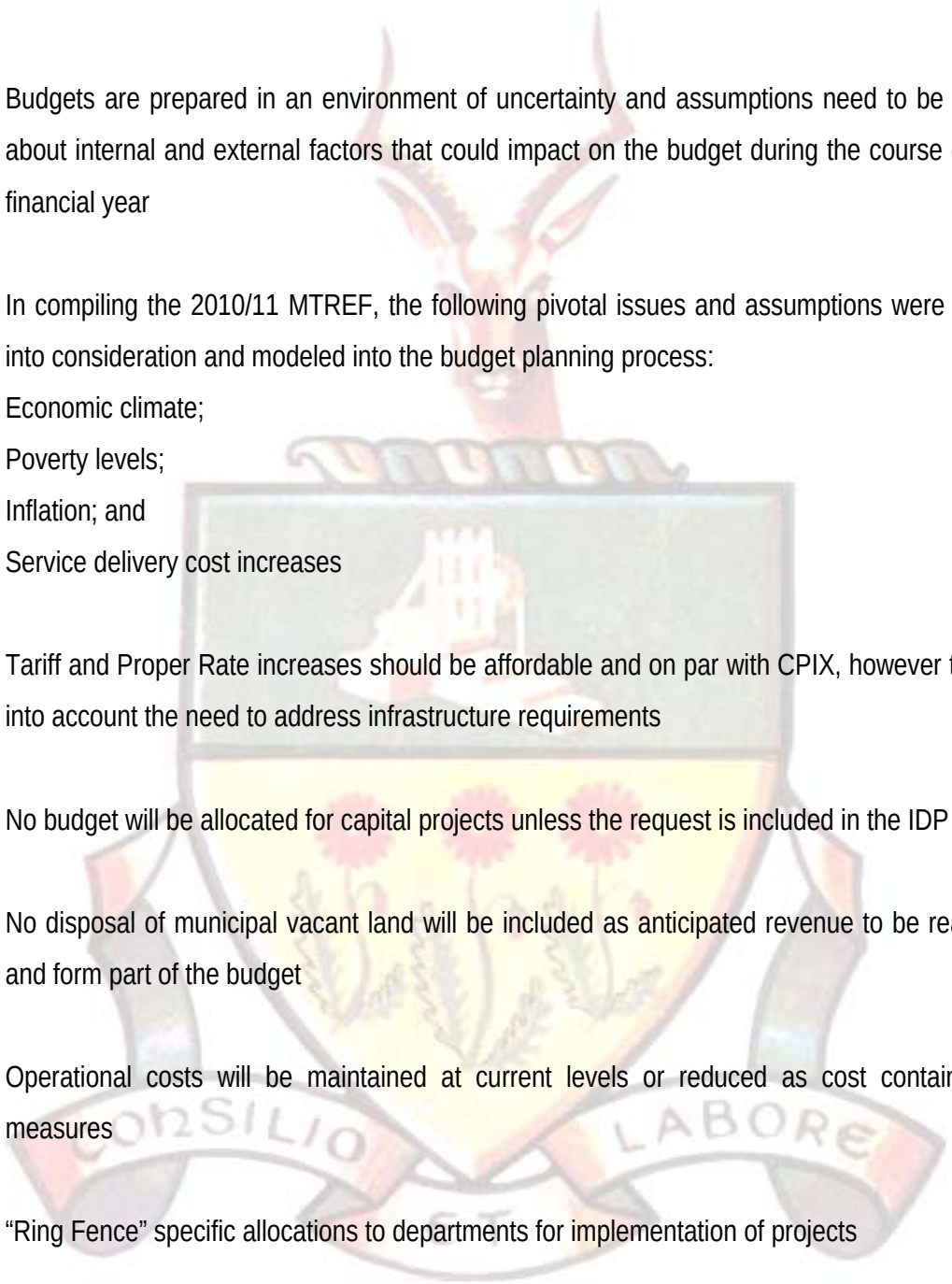
- 2.1 The 2010/11 MTREF will be remembered for the tremendous challenges that the Municipality encountered and are yet to be overcome.
- 2.2 The main challenge that had to be addressed in the planning process and which will remain a threat for the rest of the coming financial year is the effect the global economic climate has on the municipality.
- 2.3 The 2009/10 Adjustment Budget directly informed the compilation of the draft 2010/11 MTREF, aligned to the spirit of the MFMA, and more specifically the principle of multi-year budgeting.
- 2.4 The Ministry of Finance has issued new regulations prescribing the budget and reporting standards, including the formats for municipal budgets as required by the MFMA.

- 
- 2.5 The object of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of the municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in budgeting and reporting processes of those institutions and other relevant matters as required by the Act
- 2.6 A workshop was conducted by office of the CFO in that regard. The implementation of the new regulations and budget formats is scheduled to take effect on 1 July 2010 (2010/11 MTREF). The 2010/11 MTREF which will be tabled in Council on 27 May 2010 for consideration will be compiled according to the new prescribed format.
- 2.7 To implement the new regulations and compile the 2010/11 MTREF in the prescribed budget formats poses many challenges for the municipality. Not only has the budget formats changed drastically, it has also increased considerably in the amount of schedules, supporting tables and graphs to be completed and submitted.
- 2.8 A magnitude of statistical information was also added to the new formats of which the information should be obtained from various sources and is not readily available.
- 2.9 A detailed assets management table has also been added to the required submissions which should be compiled in terms of the asset register which is still in the process of being refined.
- 2.10 A last addition to the regulations is a quality certificate that needs to be completed by the Accounting Officer, declaring that the budget and supporting documentation has been compiled in accordance with the MFMA.
- 2.11 According to the budget timetable schedule approved by Council in August 2009, the draft 2010/11 MTREF should be approved in March 2010 to ensure a transparent, efficient and effective community consultation process to ensure that the final 2010/11 MTREF be approved in May 2010.

- 2.12 The MSA, chapter 4 deals with community participation. With specific reference to the budget process, section 16(i) and (iv) stipulates that a municipality must encourage and create conditions for the local community to participate in the affairs of the municipality, including in the preparation, implementation and review of its Integrated Development Plan and the preparation of its budget.
- 2.13 Section 22 of the MFMA also stipulated that immediately after an annual budget is tabled in a municipal council the Accounting Officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.
- 2.14 Section 23(2) of the MFMA stipulates further that “after considering all budget submissions, the Council must give the Executive Mayor an opportunity-
- 2.14.1 To respond to the submissions; and
- 2.14.2 If necessary, to revise the budget and table amendments for consideration by Council”
- 2.15 The compilation of the 2010/11 MTREF will therefore be remembered for the sacrifice and the creativity that was required to compile a viable financial plan for the forthcoming three years in spite of the real financial challenges as indicated above.



3. BUDGET ASSUMPTIONS

- 
- 3.1 Budgets are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year
 - 3.2 In compiling the 2010/11 MTREF, the following pivotal issues and assumptions were taken into consideration and modeled into the budget planning process:
 - 3.2.1 Economic climate;
 - 3.2.2 Poverty levels;
 - 3.2.3 Inflation; and
 - 3.2.4 Service delivery cost increases
 - 3.2 Tariff and Proper Rate increases should be affordable and on par with CPIX, however taking into account the need to address infrastructure requirements
 - 3.4 No budget will be allocated for capital projects unless the request is included in the IDP
 - 3.5 No disposal of municipal vacant land will be included as anticipated revenue to be realised and form part of the budget
 - 3.6 Operational costs will be maintained at current levels or reduced as cost containment measures
 - 3.7 “Ring Fence” specific allocations to departments for implementation of projects
 - 3.8 Budget allocations for externally funded projects be maintained at approved levels

- 3.9 Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations.
- 3.10 The medium term outlook for the South African economy remains positive with Real Gross Domestic Product (GDP) growth for 2010/11, 2011/12 and 2012/13 expected to be around 4.5%, 4.9% and 5.4% respectively. (MFMA circular No. 51, 19 February 2010)
- 3.11 The Consumer Price Index (CPIX) is expected to average 6% for the 2010/11 and 5.7% over the two remaining MTREF years, with the forecast for 2010/11, 2011/12 and 2012/13 being 5.8%, 6.1% and 5.9% respectively. (MFMA Circular No. 51, 19 February 2010)
- 3.12 It is assumed that Umjindi will share in the economic growth forecasted for the country and particularly for Mpumalanga. The budget proposals include a 3.5% annual growth in bulk purchases made by the municipality arising from local economic growth/increase in the number of households
- 3.13 After falling from 27% in 2003 to 22% in 2007, unemployment rose to 24.3% in 2009
- 3.14 Most general expenditure budget items and the repairs and maintenance budgets have been increased by 6% for the 2010/11 budget year.
- 3.15 The 2010/11 budget has included a price increase of 24.8% for bulk electricity purchases based on NERSA's guideline electricity tariff increase in line with the approved ESKOM average price increase for 2010/11.
- 3.16 Employees salaries and contributions have been increased in line with the SALGA three year collective agreements of *1 July 2009 to 30 June 2012 which is based on the average CPIX of 1 February 2009 until 31 January 2010 (as published by Statistics South Africa) plus 1,5%*
- 3.17 Increase for Councilors allowances has been allowed for in the 2010/11 budget in line with the Remuneration of Public Office Bearers Act (No. 20 of 1998)

- 3.18 The budget makes provision for 2000 indigent household to be registered, approved and receiving free basic services in 2010/11
- 3.19 The current bank base rate for long-term borrowing is **10.5%**. The cost to Umjindi of borrowing will either be higher or lower than this base rate depending on our credit rating. This budget does not make provision for Council to enter into any new loans for capital funding purposes.
- 3.20 Provision for non-receipt of billed income has been made in the budget (this is called the working capital budget). It is assumed that of the total income budget 97% will be received as actual income. Collection rate currently varies between 71% and 85%.
- 3.21 The Equitable Share, Finance Management Grant, Municipal System Improvement Grant, National Electrification Programme Grant and **EPWP Incentive Grant** where determined in line with the 2010/11 Division of Revenue Bill (Government Gazette No. 32882).

4. BUDGET HIGHLIGHTS

- 4.1 An amount of **R3 008 million** has been budgeted for the indigent household subsidization
- 4.2 An amount of **R5 577 million** has been budgeted for free basic services to other residents
- 4.3 An amount of **R42 578 million** has been budgeted for infrastructure and institutional development
- 4.4 The envisaged sources of funding for the Capital Budget must be properly considered and the Council **is** satisfied that this funding is available and has not been committed for other purposes.

5. OPERATING BUDGET

5.1 The following table represents the 2010/11 MTREF as informed by the 2009/10 Adjustment Budget, Integrated Development Plan and various other best practice methodologies eg. Balanced budget constraint, affordability of services to the community within the context of sustainability

DESCRIPTION	BUDGET 2010/11	% OF BUDGET
Operating Revenue by Vote		
Executive and Council	(805 000)	1
Financial Services	(58 397 000)	36
Civil Services	(26 423 000)	16
Electrical Services	(58 724 000)	37
Community Services	(5 320 000)	3
Corporate Services	(2 000)	
Developmental Planning	(10 557 000)	7
TOTAL OPERATING REVENUE	(160 228 000)	100
Operating Expenditure by Vote		
Office of the Executive Mayor	10 831 000	7
Financial Services	77 171 000	41
Civil Services	26 772 000	14
Electrical Services	38 754 000	20
Community Services	16 022 000	8
Corporate Services	6 991 000	3
Developmental Planning	13 694 000	7
TOTAL OPERATING EXPENDITURE	190 235 000	100
(SURPLUS) / DEFICIT	(30 007 000)	

- 5.2 Although the departure point in terms of affordability was the approved 2009/10 MTREF, and more specifically the outer year allocations, various changes have influenced the draft 2010/11 MTREF (eg. Economic indicators etc)
- 5.3 Departments utilised the month of February 2010 (year-to-date figures) to capture detail budget proposal. The budget proposals were analyzed during the management budget meeting which took place on 15, 16 and 17 March 2010.
- 5.4 Departments were given the opportunity to refine their budget proposals in line with the budget principles.
- 5.5 These sessions did not only focus on expenditure, but revenue generation potential within the context of improved service delivery, operational efficiencies and potential gains



6. EXTERNAL FUNDS (GRANTS) - DORA

- 6.1 With the promulgation of the 2010 Division of Revenue Act, the following operational and capital allocations towards the municipality have been factored into the MTREF

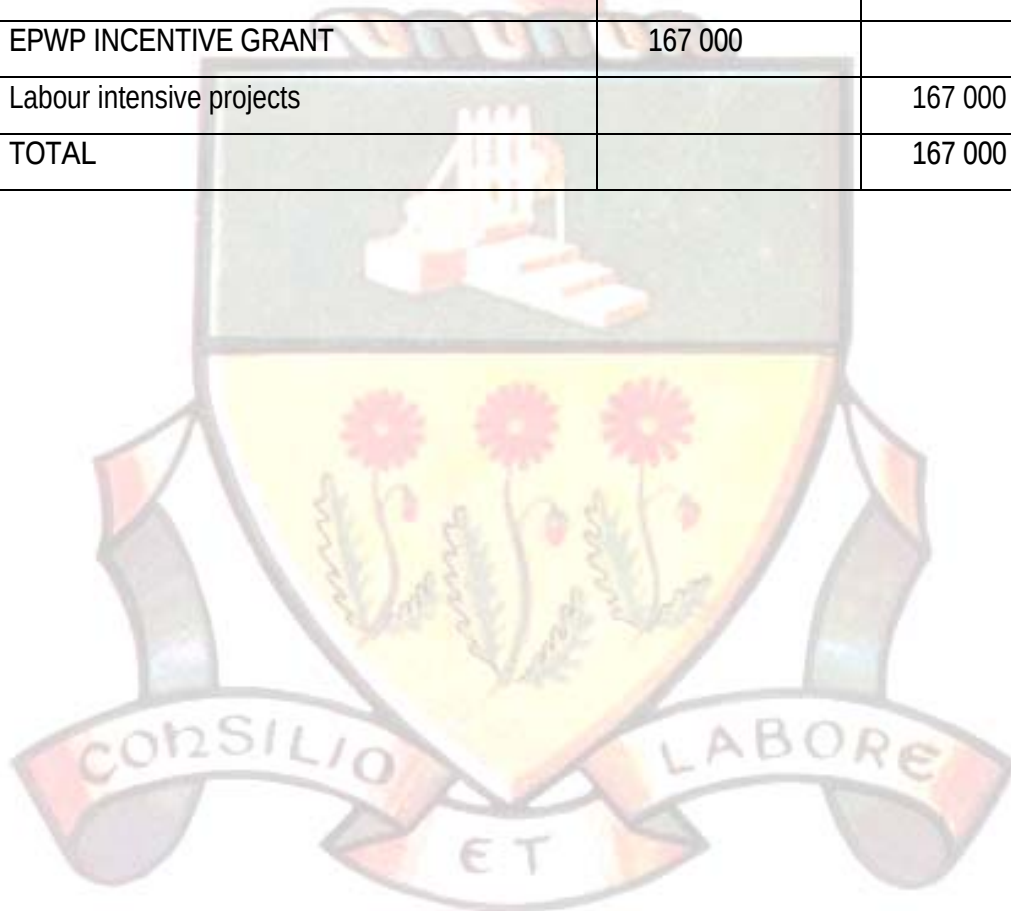
DESCRIPTION	BUDGET 2009/10 R' 000	BUDGET 2010/11 R'000	INCREASE/ DECREASE %
MIG	16 719	18 630	11
DME	8 960	8 500	(5)
FMG	750	1 000	33
MSIG	735	750	2
EPWP Incentive		167	100
Equitable Share	29 392	36 584	24
World Heritage		2 400	100
TOTAL GRANTS	56 556	68 301	21

- 6.2 The table below illustrates how the above grants have been allocated to the various projects in the 2010/11 budget year:

DECDRIPTION	GRANT INCOME	EXPENDITURE
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	18 630 000	
Replacement of AC pipes (Phase III)		8 423 680
Roads and storm water infrastructure		3 879 240
Water and Sanitation for Ward 1 (Esperado)		3 500 000
VIP toilets for rural areas (Phases) Emjindini Trust and KaMadakwa		1 400 000
Sports Infrastructure – Ward 5		238 350
Street lights & High mast lights (Verulam, Ka-Madakwa and eMjindini Trust)		600 000
PMU		588 730

TOTAL		18 630 000
NATIONAL ELECTRIFICATION FUND (DME)	8 500 000	
Link services for Verulam Electrification		2 999 200
Electrification of Verulam Phase 1		2 980 800
Emjindini Ext 14 Phase II (380 households)		2 520 000
TOTAL		8 500 000
MUNICIPAL SYSTEMS INFRASTRUCTURE GRANT (MSIG)	750 000	
Correction of valuation roll		300 000
Ward committee activities (cell phone airtime)		120 000
Refinement of Asset Register		330 000
TOTAL		750 000
FINANCE MANAGEMENT GRANT (FMG)	1 000 000	
CPMD Training		196 500
CPMD additional costs		165 000
Appointment of 2 Finance Interns		180 000
Compilation of Annual financial Statements		400 000
Internal Financial Management Workshops		58 500
TOTAL		1 000 000
EQUITABLE SHARE	36 584 000	
Councilors Allowances		778 050
Free Basic Services to all residents		5 577 475
Subsidy for Indigent households		3 007 877
Pre-paid services		160 000
Indigent registration process – temps & advert		55 000
Ward committee meetings		10 000
Provision of water to rural areas		1 000 000
Provision of free alternative energy–Sheba		820 000

Siding		
Vending machines – Assistance		10 000
Provision of free basic service to farms bordering municipal boundary – ESKOM		5 000
Internal Audit Software System		150 000
Work study conducted for the entire municipality		250 000
Asset register system		486 647
Capital Projects		15 750 000
Operational Budget		8 523 951
TOTAL		36 584 000
EPWP INCENTIVE GRANT	167 000	
Labour intensive projects		167 000
TOTAL		167 000



7. CAPITAL BUDGET

7.1 The following table indicates the 2010/11 Medium-term Capital Budget per Department and funding source

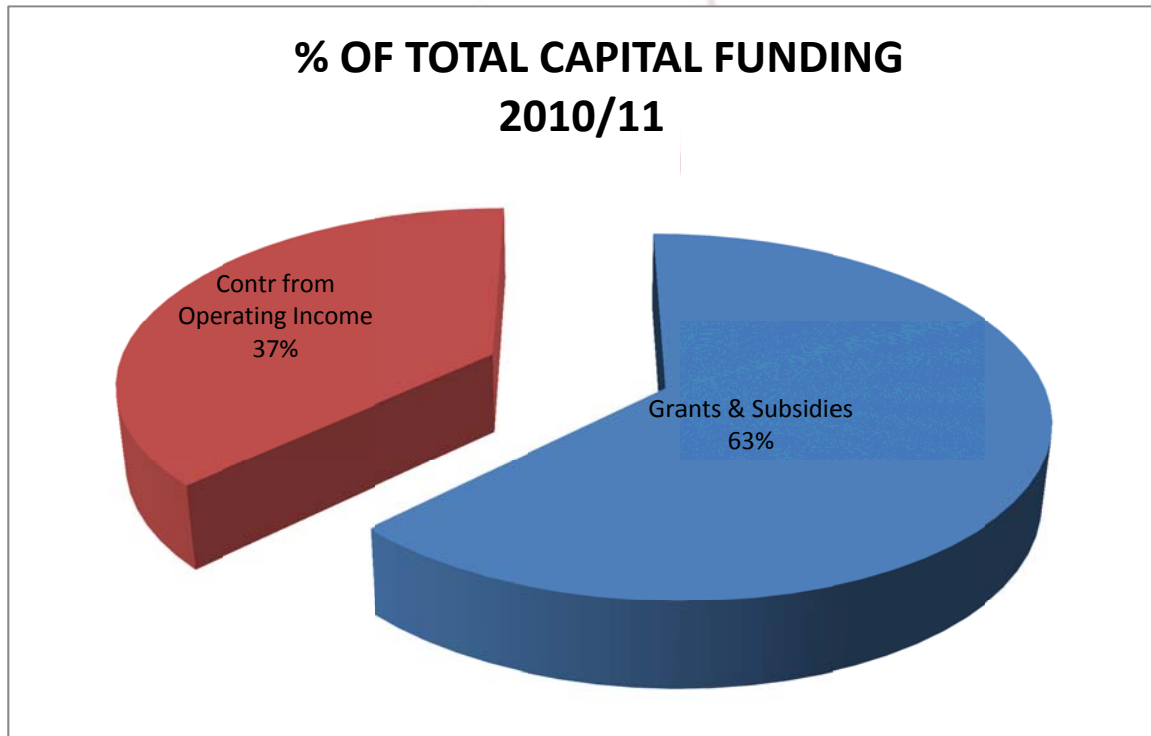
DEPARTMENT	PROJECT	INTERNAL FUNDS	EXTERNAL FUNDS	TOTAL
CIVIL SERVICES		7 435 000	17 369 920	24 804 920
	Replacement of AC Pipes		8 423 680	
	Roads and Storm water		3 879 240	
	Water and Sanitation for ward 1 (Esperado)		3 500 000	
	VIP toilets for rural areas (Phases) Emjindini Trust & KaMadakwa		1 400 000	
	Installation of services – water & sewerage Ext 14 eMjindini	3 130 000		
	New concrete mixer – resurfacing of roads	320 000		
	Renovations at Rimers water works (Phase I)	150 000		
	Renovation of Electrical work shop	150 000		
	Remedial works at the Dam (Phase I)	1 700 000		
	Provision of water- Sheba Siding	1 985 000		
	EPWP labour intensive projects		167 000	
TOTAL		7 435 000	17 369 920	24 804 920

ELECTRICAL SERVICES		6 200 000	9 338 350	15 538 350
	Link services for Verulam Electrification		2 999 200	
	Electrification of Verulam Phase I		2 980 800	
	Emjindini Ext 14 Phase II (380 households)		2 520 000	
	Extension of street lights – Emjindini robots to Suidkaap water works	260 000		
	Replacement of switchgear – Donga substation	720 000		
	Installation of street lights – Bulembu to Montevista Phase II	170 000		
	Counter funding for Electrification of Verulam	2 250 000		
	Counter funding for Electrification of Ext 14	1 850 000		
	Replacement of vehicles (1 x vehicle per department)	950 000		
	Street lights & High mast lights (Ka-Madakwa, Verulam & Emjindini Trust)		838 350	
TOTAL		6 200 000	9 338 350	15 538 350
COMMUNITY SERVICES		610 000		610 000
	Chairs & tables for Cathyville hall	10 000		
	Electrification of the Dumping site	175 000		
	Apollo light at the dumping site	160 000		
	Chairs and tables for town hall	45 000		

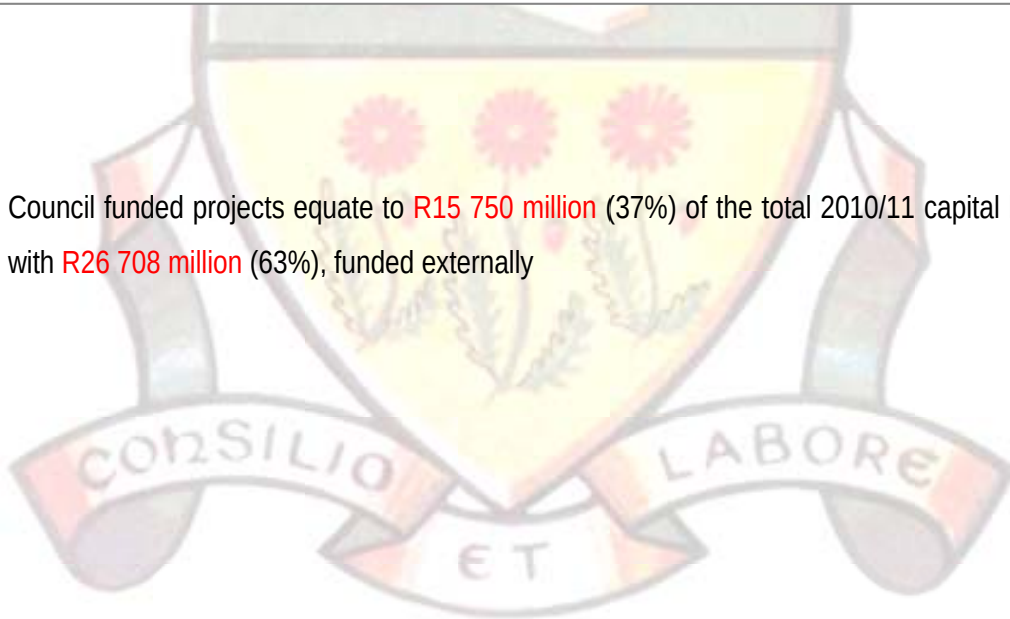
	Chairs for Emjindini hall	40 000		
	Kudu grass cutting equipment	180 000		
TOTAL		610 000		610 000
CORPORATE SERVICES		340 000		340 000
	Replacement of franking machine for posting services	40 000		
	Installation of Voice over IP telecommunication system	300 000		
TOTAL		340 000		340 000
FINANCIAL SERVICES		1 015 000		1 015 000
	Replacement of tender box (steel)	15 000		
	Financial Management System including Payroll and Human resource system	1 000 000		
TOTAL		1 015 000		1 015 000
MUNICIPAL MANAGER		150 000		150 000
	Internal Audit software system	150 000		
TOTAL		150 000		150 000
TOTAL CAPEX		15 750 000	26 708 270	42 458 270

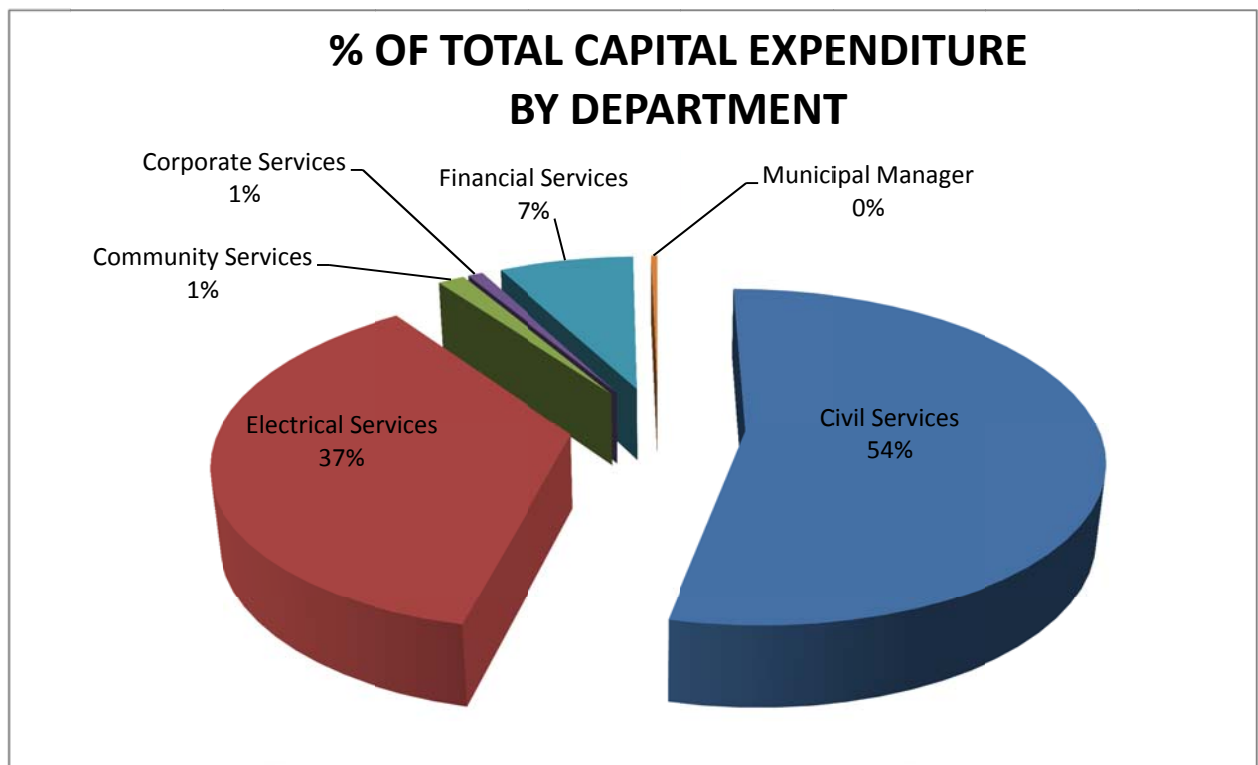
7.2 The total draft capital budget currently equates to **R42 458 million**.

7.3 The following graphs illustrate the above table in terms of funding source breakdown and capital budget allocation per department:



7.4 Council funded projects equate to **R15 750 million** (37%) of the total 2010/11 capital budget with **R26 708 million** (63%), funded externally





7.5 From the above table it is evident that 92% of the total capital budget has been allocated specifically for infrastructure development with more focus on addressing increased demand in services.

7.6 Departments have to take into account their capacity to spend the requested budgets against the allocated projects in order to ensure implementation and provision of services delivery



8. REVENUE FRAMEWORK

- 8.1 In order to serve the community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality
- 8.2 The reality is that we are faced with developmental backlogs and poverty, challenging our revenue generation capacity. The requests always exceed the available funds. This was even more obvious when compiling the 2010/11 MTREF
- 8.3 Municipalities must table a balanced and more credible budget, based on realistic **estimation** of revenue that are consistent with their budgetary resources and collection experience
- 8.4 The revenue strategy is a function of key components such as:
- 8.4.1 Growth in town and economic development;
 - 8.4.2 Revenue enhancement;
 - 8.4.3 Achievement of 97% annualized collection rate for consumer revenue;
 - 8.4.4 National Treasury guidelines;
 - 8.4.5 Electricity tariff increases within National Electrification Regulator of South Africa (NERSA) approval;
 - 8.4.6 Approval of full cost recovery of specific department;
 - 8.4.7 Determining tariff escalation rate by establishing/calculating revenue requirement; and
 - 8.4.8 Ensuring ability to extent new services and recovering of costs thereof

8.5 The following table is a high level summary of the 2010/11 MTREF (Classified per main revenue source)

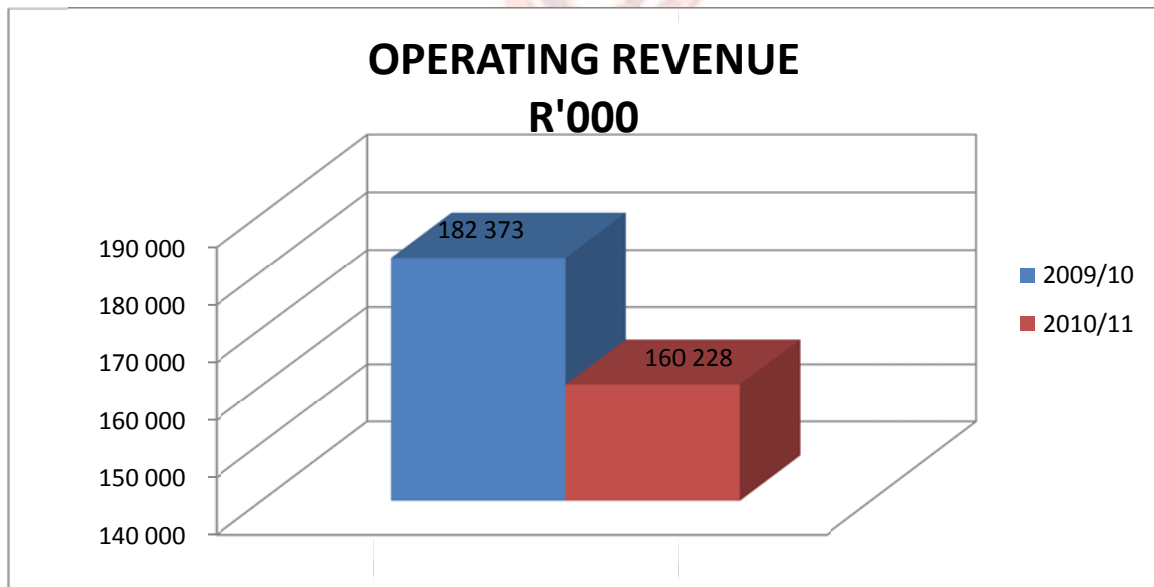
DESCRIPTION	APPROVED BUDGET 2009/10	ADJUSTME NT BUDGET 2009/10	BUDGET YEAR 2010/11	% INCREASE / (DECREAS E)	BUDGET YEAR 2011/12	BUDGET YEAR 2012/13
Operating Revenue by Source	R'000	R'000	R'000		R'000	R'000
Property rates	13 276	13 276	13 765	0	14 591	15 467
Electricity	39 846	39 846	58 202	46	61 694	65 395
Water	17 207	17 207	18 277	6	19 373	20 536
Sanitation	4 767	4 767	4 850	2	5 141	5 449
Refuse Removal	7 029	7 029	6 117	(13)	6 484	6 873
Grants	47 242	45 830	40 901	18	46 089	50 609
Interest & Inv Inc	500	250	500	5	530	562
Rent of facilities	509	509	439	(14)	465	493
Interest on O/S debt	1 608	1 608	1 550	(4)	1 643	1 741
Traffic fines	302 252	302 252	100 300	(67)	106 318	112 697
Fines	302	302	565	0	599	635
Licenses and permits	1 812	1 812	1 710	(6)	1 813	1 922
Other	48 275	24 186	13 352	(94)	3 130	3 318
TOTAL OPERATING REVENUE	182 373	156 622	160 228	12	161 552	173 000

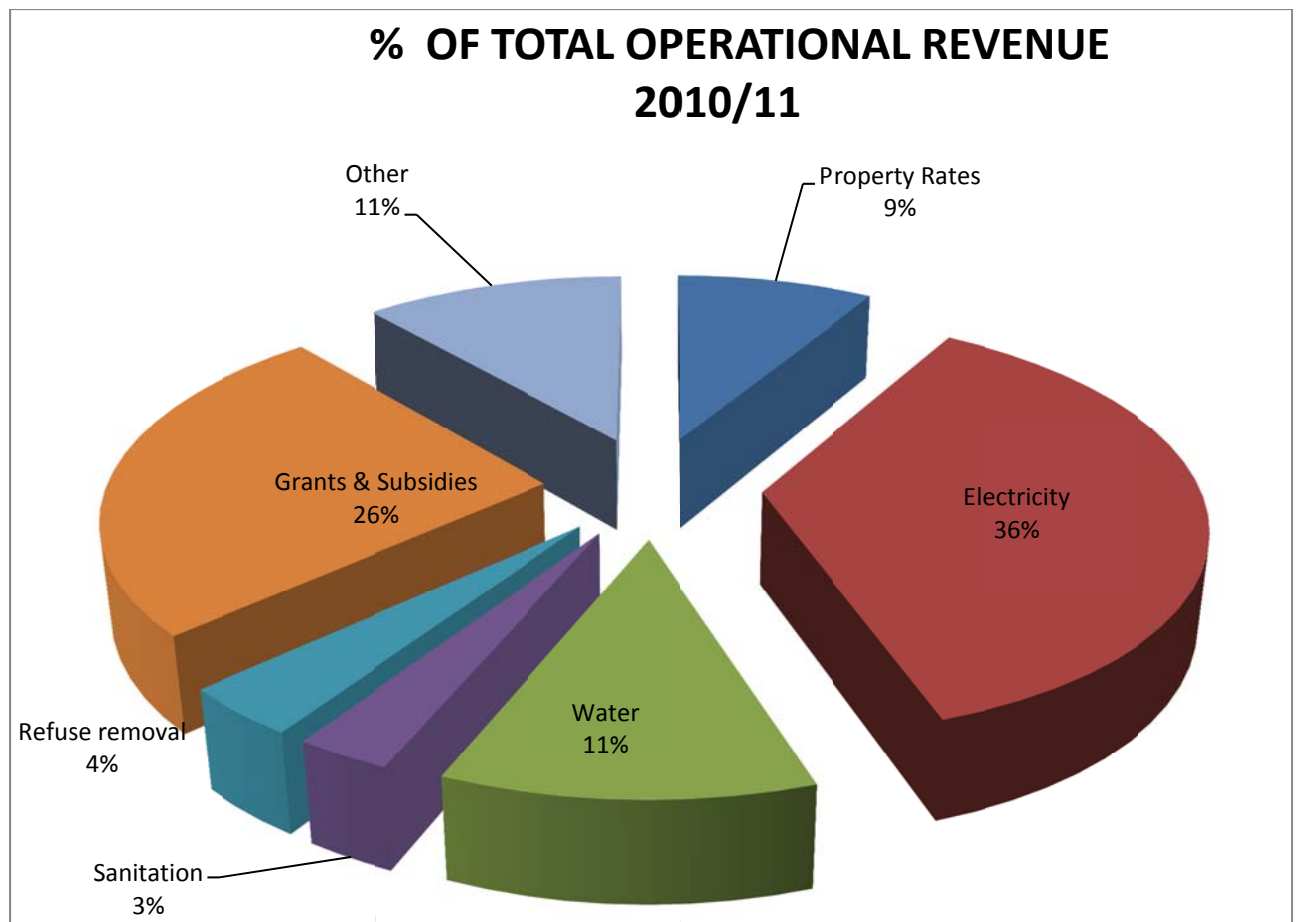
8.6 Total revenue increased by 2% against the 2009/10 adjustment budget and by 12% against the 2009/10 approved budget

8.7 No increase in property rates for the 2010/2011 budget year, only inclusion of the farms as valued on the valuation roll

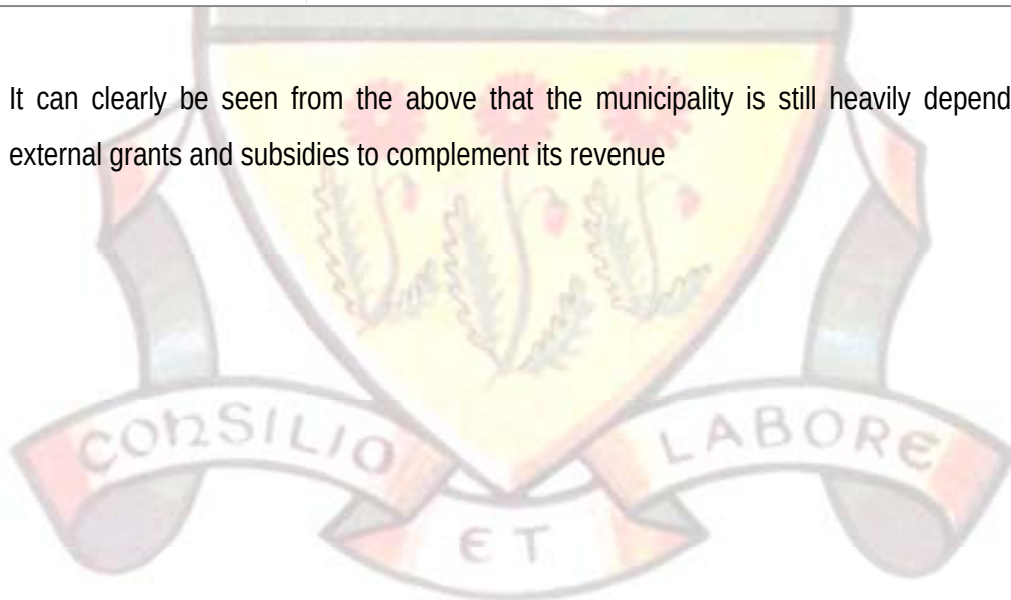
8.8 Other service charges have in total increased by 27% against the 2009/10 adjustment budget. This can mainly be attributed to the tariff increases

8.9 The following graphs illustrate the above table in terms of annual revenue growth and revenue source breakdown





8.10 It can clearly be seen from the above that the municipality is still heavily dependent on external grants and subsidies to complement its revenue



9. TARIFF SETTING

- 9.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the revenue is also derived from property rates and grants by national governments as well as other minor charges such as traffic fines.
- 9.2 As in the past, increase cost primarily driven by the Consumer Price Index (CPIX), dictates an increase in the tariffs charged to the consumers and the ratepayers. It therefore follows that all the tariffs will have to be increased by a percentage in line with the current CPIX estimated at 6%
- 9.3 It is realised that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.
- 9.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.
- 9.5 Tariff increases were therefore calculated at 6% with regards to the main services, with the exception of electricity and refuse removal at 31% and 8% respectively. This owing to the special circumstance regarding power security in South Africa and the losses currently being incurred on refuse removal.
- 9.6 The current property rate tariff will not increase with a specific percentage owing to the implementation of the new valuation roll, more particularly to the teething problems experienced by the municipality. It is believed that this gesture will harmonize the situation with ratepayers, whilst the municipality embarks on rectifying the valuation roll.

- 9.7 The latest figures released by Stats SA indicate contractions in several spheres of the economy and this confirms that the disposable income of households remain under a lot of strain.
- 9.8 By drastically increasing tariffs on essential commodities, more strain will be added for the already cash stripped resident households
- 9.9 Increases beyond the 6% included in the draft MTREF will only add to bad debt which is already high and a decline in the cash flow
- 9.10 It must be kept in mind that household cash flow will definitely be strained by tariff increase of ESKOM
- 9.11 The outcome of the increases in tariffs (Revenue) on different revenue categories is as follows:

DETAILS	2010/11 PROPOSED TARIFF INCREASE	2010/11 TOTAL BUDGETED REVENUE R'000
Property Rates	0	13 765
Electricity	31%	58 202
Water	6%	18 276
Sanitation	6%	4 850
Refuse Removal	8%	6 117
TOTAL		101 210

- 9.12 From the household perspective, how much more will be paid in rand is of more interest that the % increase in the various tariffs and rates

9.13 Property Rates

9.13.1 Property rates cover the shortfall on the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeted process

9.13.2 The categories of rate-able properties for purposes of levying rates and the proposed rates are as follows:

CATEGORY	CURRENT TARIFF 2009/10	PROPOSED TARIFF 2010/11
	c	c
Residential	0,9	0,9
Business & Commercial	1,8	1,8
Industrial	1,8	1,8
State owned residential	0,9	0,9
State owned non-residential	0,9	0,9
Agricultural residential	0,9	0,9
Agricultural non-residential (Land solely for farming)	0,9	0,9
Agricultural non-residential (Business)	0,9	0,9
Agricultural vacant land	4,5	4,5
All non agricultural land	4,5	4,5
All non-permitted use	4,5	4,5

9.14 Water

9.14.1 A 6% increase in water tariffs applicable to the residents of Umjindi is proposed, generating R1 million additional revenue, and R18 million in total

9.14.2 A summary of the proposed tariffs (VAT EXCLUDED) for households (residential) and non-residential are as follows:

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	Per kl R	Per kl R
Monthly Basic Charge per Category		
Residential 0 – 6 kl	Free	Free
Residential: Developed & Churches	30,50	31,85
Residential: eMjindini Developed & Churches	27,24	28,88
Residential: Undeveloped	55,65	58,99
Business	55,65	58,99
Prison farm	81,090	85,955
Purified Water per Month		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	4,28	4,54
26 kl – 35 kl	4,30	5,16
36 kl and above	4,32	5,18
Unpurified Water to Industries and Crocodile Farm		
First 500 kl or part thereof	393,24	416,83
Above 500 kl	1,39	1,47
WATER RESTRICTIONS IN CASE OF DROUGHT		

Monthly Basic Charge (Dam Water Level @ 85%)		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	4,28	5,16
26 kl – 35 kl	4,30	5,18
36 kl and above	4,32	5,50

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	Per kl R	Per kl R
WATER RESTRICTIONS IN CASE OF DROUGHT		
Monthly Basic Charge (Dam Water Level @ 85%-75%)		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	4,28	5,16
26 kl – 35 kl	4,30	5,50
36 kl and above	4,32	7,00
Monthly Basic Charge (Dam Water Level is below 70%)		
No watering of gardens and washing of cars with garden hoses		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	4,28	5,16
26 kl – 35 kl	4,30	7,00
36 kl and above	4,32	15,00
New Connection Charges		
	Cost + 15%	Cost + 15%
Testing of Meter		

Where meter show an error of less than 2,5%	106,00	112,36
Where meter show an error of more than 2,5%	N/C	N/C
Water Connection		
Water connection	1 123,60	1 191,02
Poverty (Indigent) tariff (A281/2005)	357,22	378,65

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	Per kl R	Per kl R
PENALTIES: TEMPERING WITH WATER METERS (RECONNECTION FEE)		
Domestic Consumers (Pre-paid & Conversional)		
FIRST OFFENCE		
Without damage to installation	1 134,20	1 202,25
With damage to installation	1 817,90	1 926,97
SECOND OFFENCE	1 187,90	1 926,97
THIRD OFFENCE		
Legal action and removal of meter		
SELF – RECONNECTION		
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with;		

and		
Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	1 987,50	2 106,75

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	Per kl R	Per kl R
BUSINESS CONSUMERS AND LARGE POWER USERS		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tampered with	3 710,00	3 932,60
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tampering with any meter on his/her property		

9.14 Refuse Removal

9.14.1 Currently refuse removal is operating at a loss/deficit. In normal practice terms, the rendering of this service should at least break-even, which is currently not the case. Umjindi will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the long-to-medium-term.

9.14.2 Refuse removal tariffs are proposed to be increased with 8% from the 1 July 2010 to

ensure that costs are recovered

9.14.3 Revenue of R6 million will be generated through the tariff increase and anticipated growth in service rendering.

9.14.4 The following table indicates a comparison between current and proposed amounts payable from 1 July 2010 (VAT EXCLUDED)

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	R	R
Once per Week		
1 st Bin – All sections	47,00	50,76
Daily Removal		
1 st Bin	172,25	186,03
2 nd Bin	121,64	131,37
OTHER REMOVALS		
Special removals 6 per m3	577,17	623,34
Bulk containers/Bins (Business)	204,37	220,72
Rental of Bulk containers/Bins (Maximum 3 days)	240,36	259,58
Unsound foodstuff per removal	621,69	671,43
Cleaning of Erven per m2	1,06	1,14

9.15 Sanitation

9.15.1 The tariff is proposed to be increased by 6% from 1 July 2010

9.15.2 The total revenue expected to be generated from rendering this service amounts to R4,8 million for the 2010/11 financial year.

9.15.3 The following table indicate the proposed tariffs (VAT EXCLUDED) to be implemented with effect from 1 July 2010:

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	R	R
Private Residential Purposes		
For every 100m2 or portion thereof	4,77	5,06
Maximum	93,02	98,60
Prisons		
For every 100m2 or portion thereof	4,77	5,06
Maximum	2 173,00	2 303,38
Other Land		
For every 100m2 or portion thereof	4,77	5,06
Maximum	1 303,80	1 382,03
Domestic sewerage		
Per water closet pan, urinal or compartment	14,15	15,00
Connection fees		
	Cost + 15%	Cost + 15%
Sewerage Connection Fees		
Sewerage connection fees	975,20	1 033,71
Poverty (Indigent) tariff	464,81	492,70
Sewerage Blockages Private Properties		

Weekdays (Office Hours)		
First half hour or portion thereof	295,21	312,92
Every additional half hour or portion thereof	139,00	147,34
Saturdays & After Hours		
First half hour or portion thereof	476,47	505,06
Every additional half hour or portion thereof	238,50	252,81
Sundays & Holidays		
First half hour or portion thereof	476,47	505,06
Every additional half hour or portion thereof	225,00	238,50

9.16 Electricity

9.16.1 The tariff is proposed to be increased by 6% from 1 July 2010

9.16.2 The current proposed electricity tariff increase applicable to residents for 2010/11 is 31%.

9.16.3 The estimated revenue amounts to R58 million owing to the 31% proposed tariff increase

9.16.4 All residents of Umjindi including registered indigent household will continue to get and be granted 50 kWh per month free of charge

9.16.5 The following table indicates the proposed electricity charges (VAT EXCLUDED) for the 2010/11 financial year

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	R	R
DOMESTIC (HOUSEHOLD, FLATS, GUEST HOUSES, CHURCHES & SCHOOLS WITHOUT KVA AND AGRICULTURAL HOLDINGS)		
Domestic Basic Charge		
Domestic with no consumption for 30 days and longer	114,00	149,35
Residential 0 – 50 units	Free	Free
Residential 51 units – above	114,00	149,35
Domestic Energy Charge of Electricity		
Conventional 0 – 50 units	Free	Free
Conventional 51 units – above	0,56	0,73
Pre-paid 0 -50 units	Free	Free
Pre-paid (single or three phase) 51 units – above	0,65	0,85
Liveline 0 – above	0,598	0,639
Domestic Bulk		
Standard Supply	0,585	0,766
Time of use		
Peak	1,62	2,12
Standard	0,34	0,445
Off-peak	0,234	0,306
COMMERCIAL (MUNICIPAL , BUSINESS ETC)		
Basic Charge (conventional)		
Three phase (including vacant stand)	482,00	631,42
Single phase (including vacant stand)	422,00	552,82
Energy Charge of Electricity		

Charge per unit	0,56	0,734
Business consumption (Pre-paid)	0,65	0,85
INDUSTRIAL (MUNCIPAL, BUSINESS, SCHOOLS WITH KVA ECT)		
Low Voltage 400 V (Demand Scale)		
Metered KVA	73,50	96,30
Charge per unit	0,34	0,445
Basic charge (including vacant stands)	620,00	812,20
Time of use		
Peak	1,62	2,12
Standard	0,34	0,445
Off-peak	0,23	0,301
KVA 11000V		
Metered KVA	73,00	95,35
Charge per unit	0,264	0,35
Basic charge (including vacant stand)	620,00	812,20
Time of use		
Basic charge	620,00	812,20
Demand charge per kVA (30 min periods)		
Energy charges		
Peak		
High Demand (June – August)	0,994	1,30
Low Demand (September – May)	0,32	0,42
Standard		
High Demand (June – August)	0,302	0,400
Low Demand (September – May)	0,218	0,285
Off-peak		
High Demand (June – August)	0,17	0,223

Low Demand (September – May)	0,148	0,195
CONNECTION CHARGES AND OTHER MAINTENANCE		
Single phase pre-paid meter	3 820,00	4 150,00
Single phase conventional meter	3 745,00	4 050,00
Single phase pre-paid meter (Poverty)Indigent	Free	Free
Three phase pre-paid meter	6 340,00	6 850,00
Three phase conventional meter	6 155,00	6 650,00
Change conventional to pre-paid meter (single phase)	625,00	675,00
Change conventional to pre-paid meter (three phase)	3 157,89	3 400,00
Change pre-paid to conventional (Single phase)	650,00	700,00
Change pre-paid to conventional (Three phase)	1 280,00	1 380,00
PENALTIES: TEMPERING WITH ELECTRICITY METERS		
Domestic Consumer (Pre-paid & Conventional)		
First Offence		
Without damage to installation	1 500,00	1 620,00
With damage to installation	2 200,00	2 380,00
Second Offence		
	2 800,00	3 025,00
Third Offence		
Legal action and removal of meter		
SELF – RECONNECTION		
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; - and		

• Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	1 800,00	1 950,00
Business Consumers and Large Power users		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tempered with	4 800,00	5 185,00
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tempering with any meter on his/her property		
Testing of Meters (Section 9(1) of By Laws)	220,00	240,00
Attendance to complaint other than fault in council's supply or equipment (per call)	220,00	240,00
Testing of electrical installation (Section 16(8)b of By-Laws) – On request of consumer	320,00	350,00
Replacement of tariff circuit breakers with		
Higher circuit breaker per phase	250,00	270,00
Lower circuit breaker per phase	250,00	270,00
Consumer is of the opinion tariff circuit breaker tr current value that its rating		
Tariff	215,00	232,00
Per circuit breaker	98,00	105,00
(These costs are refundable at non-compliance)		
After a tariff circuit breaker has been tested, the Engineer's finding as to the tariff circuit breaker's compliance with the provisions of these By-Laws shall be final and a tariff circuit breaker shall be		

regarded as complying with the provisions of these By-Laws if the test proves that it does not trip within 30 minutes when it passes a steady current of 5% below its rating		
Aggregate of units determined by Council Engineer		
Testing/fault finding on electrical cables		
First 2 hours	850,00	920,00
Every hour thereafter	325,00	350,00
Plus: Travel cost	Actual cost	Actual cost
Tariff classification		
In the event of a dispute regarding the tariff under which a consumer is classified, Council's decision shall be final		

9.17 Other tariffs

9.17.1 The tariffs for all other services rendered i.e approval of building plans etc, will be increased with an inflation related percentage of 6%

9.17.2 The proposed tariffs for the various services are attached as Annexure to this report

9.17.3 The shortfall owing to these tariffs not always covering costs is funded through property rates.

9.18 Equitable Share

9.18.1 The Equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities

9.18.2 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DORA)

19.8.3 The structure and components of the formula are summarized as follows:

Grant = BS + D + I + R+(-) C where:

BS = Basic Service Component

D = Development component

I = Institutional Support Component

R = Revenue-raising Capacity Correction

C = Correction and stabilization factor

19.8.4 It should be noted that the basic component support is only for poor households earning less than R1 200 per month and it also distinguishes between poor households provided with services and those provided with lesser or no services.

19.8.5 A municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme

19.8.6 In terms of the 2010/11 DoRA, the allocation towards Umjindi is R29,392 million and R36,584 million in the 2009/10 and 2010/11 financial years respectively.

10. EXEPENDITURE FRAMEWORK

10.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

10.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)

10.1.2 Balanced budget constraint (expenditure cannot exceed revenue)

10.1.3 Capital programme aligned to asset renewal strategy

10.1.4 Operational gains and efficiencies resulting in additional funding capacity on the capital programme as well as redirection of funding to other critical areas, and

10.1.5 Strict principle of no project plan (business plan) no budget allocation (funding allocation)

10.2 The following table is a high level summary of the draft 2010/11 Medium-Term Expenditure Framework (Classified per main category of expenditure)

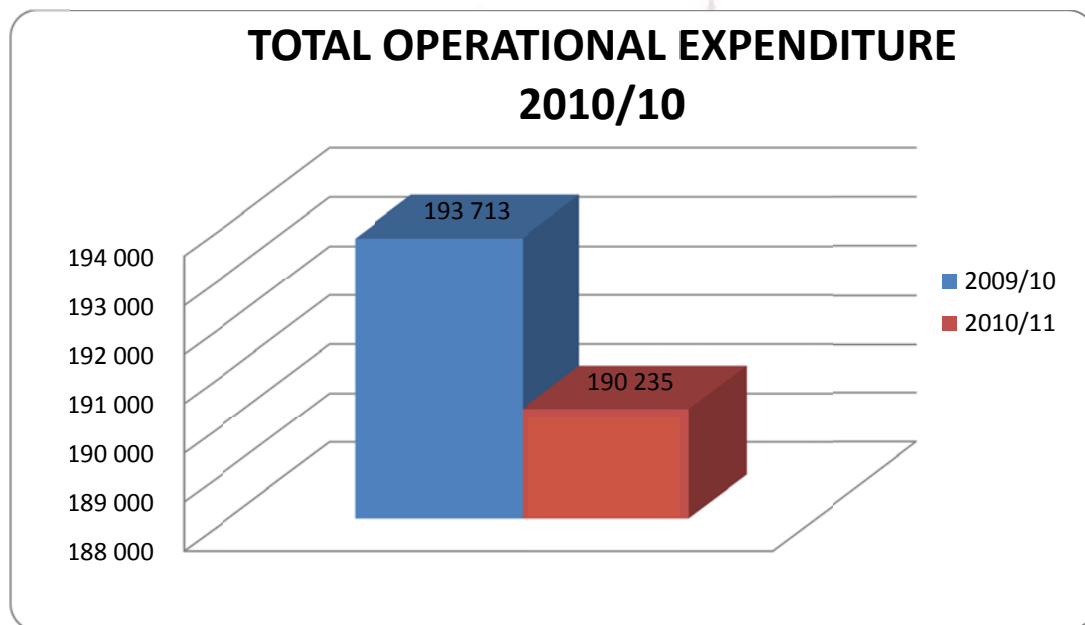
DESCRIPTION	APPROVED BUDGET 2009/10	ADJUSTME NT BUDGET 2009/10	BUDGET YEAR 2010/11	% INCREASE / (DECREAS E)	BUDGET YEAR 2011/12	BUDGET YEAR 2012/13
Operating Expenditure by Type	R'000	R'000	R'000		R'000	R'000
Employee related costs	50 160	50 160	54 711	9	57 696	61 158
Remuneration of Councilors	4 085	4 085	4 270	5	4 955	5 451
Electricity bulk purchases	24 170	24 170	30 350	26	32 171	34 101
Depreciation & Impairment	10 000	40 000	50 000	400	53 000	56 180
General expenses	105 298	55 154	50 904	(52)	55 786	60 957
TOTAL OPERATING EXPE	193 713	173 569	190 235	(2)	203 608	217 847

10.3 The expenditure equates to R190 million in the 2010/11 financial year

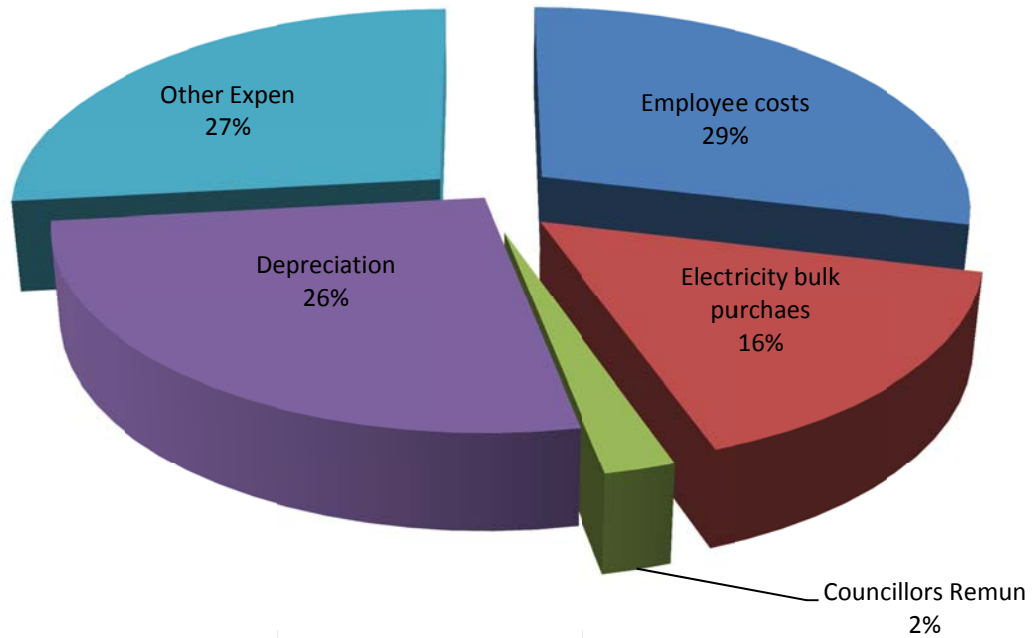
10.4 Total expenditure has decreased by 10% against the 2009/10 adjustment budget and by 2% against the 2009/10 approved budget

- 10.5 In terms of the projected R54 million for the 2010/11 financial year, indicative salary increases have been included and represents 29% of the total operating expenditure budget
- 10.6 The cost associated with the remuneration of councilors is determined and informed directly by way of the Remuneration of Public Office Bearers Act 1998 (Act No. 20 of 1998)
- 10.7 Aligned to the best practice methodology of preserving and maintaining current infrastructure, the expenditure framework has essentially catered for infrastructure maintenance
- 10.8 Compared to the 2009/10 approve budget, the repairs and maintenance has increased by 21% from R5,9 million to R7,2 million
- 10.9 Compared to the 2009/10 adjustment budget, the bulk electricity purchase has increased by 26% from R24 million to R30 million
- 10.10 General expenditure comprises of municipal rates and services, administration and general related expenditure. The 52% decrease from the 2009/10 adjustment budget to the draft 2010/11 MTREF can directly be attributed to the implementation of the cost cutting and curtailment measures with a view to managing expenditure levels downwards
- 10.11 The number of households in informal areas that receives free services and the cost of these services (eg. Delivery of water in rural areas) are not taken into account in the table above
- 10.12 Revenue estimated to be foregone with regards to property rates rebate is R1,5 million for the 2010/11 financial year
- 10.13 The cost (revenue forgone) of the social package of the registered indigent household is offset by the equitable share received in terms of the DoRa.

10.14 The following graphs illustrate the above table in terms of expenditure annual growth and expenditure breakdown



% OF TOTAL OPERATIONAL EXPENDITURE 2010/11



11. UNFUNDED AND CUT-OFFS

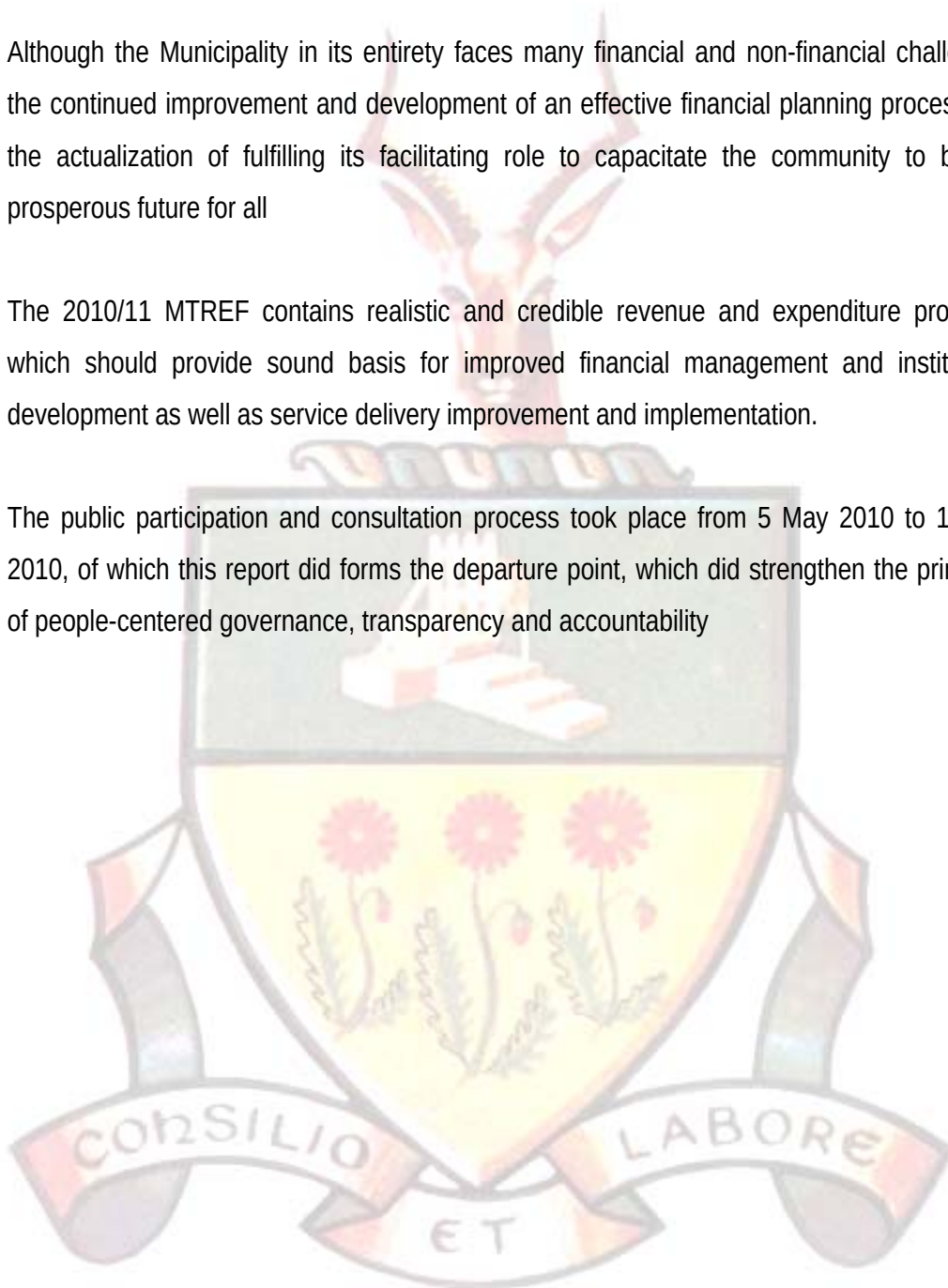
11.1 Municipalities must table a balanced and more credible budgets based on realistic estimates of revenue and expenditure that are consistent with their budgetary resources, collection and expenditure experience

11.2 The following table reflects some unanticipated cut-offs from the 2010/11 Medium-term Revenue and Expenditure Framework

DETAILS	DRAFT	REDUCED AMOUNT	
SALARIES			
Overtime	2 635 427	1 147 857	1 487 570
Admin Officer – Corporate Services	261 248	261 248	0
Student traffic officers – Community Services	316 106	316 106	0
TOTAL	3 212 781	1 725 211	1 487 570
REPAIRS AND MAINTENANCE			
Maintenance of Buildings	1 308 000	608 000	700 000
Resurfacing of existing roads	1 200 000	300 000	900 000
Maintenance of Streets	1 500 000	600 000	900 000
Audit Fees	1 396 000	496 000	900 000
TOTAL	5 404 000	2 004 000	3 400 000
TOTAL CUT-OFF	8 616 781	3 729 211	4 887 570

12. CONCLUSION

- 12.1 Although the Municipality in its entirety faces many financial and non-financial challenges, the continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all
- 12.2 The 2010/11 MTREF contains realistic and credible revenue and expenditure proposals which should provide sound basis for improved financial management and institutional development as well as service delivery improvement and implementation.
- 12.3 The public participation and consultation process took place from 5 May 2010 to 16 May 2010, of which this report did forms the departure point, which did strengthen the principles of people-centered governance, transparency and accountability



13. RECOMMENDATION

13.1 That in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003), the annual budget of the municipality for the financial year 2010/11, and indicative allocations for the two projected outer years 2011/12 and 2012/13, and the multi-year and single year capital appropriations are approved as set out in the following tables:

13.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2

13.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3

13.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4

13.1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5

13.2 That the financial position, cash flow, cash-backed reserves/accumulated surplus, asset management and basic service delivery target are adopted as set out in the following tables:

13.2.1 Budgeted Financial Position as contained in Table A6

13.2.2 Budgeted Cash Flows as contained in Table A7

13.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8

13.2.4 Asset Management as contained in Table A9

13.2.5 Basic Service Delivery measurements as contained in Table A10

13.3 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for Property Rates, Electricity, Water, Sanitation as well as refuse removal as set out in Annexure A, B, C, D and E respectively, be approved with effect from 1 July 2010

13.4 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for other services, as set out in Annexure F1 to F12 respectively, be approved with effect from 1 July 2010

13.5 That the proposed electricity tariff increase of 31% is subject to approval by NERSA

13.6 That all budget related policies, reviewed and amended be approved and applicable with effect from 1 July 2010

13.7 That the Service Delivery and Budget Implementation Plans be approved and implemented with effect from 1 July 2010





OVERVIEW OF BUDGET FUNDING



UMJINDI LOCAL MUNICIPALITY

MULTI-YEAR FINANCIAL PLAN

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality

Document Classification:
Public
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DOCUMENT APPROVAL

Position	Name	Signature	Approval Date
Mayor	R V Lukhele		
Municipal Manager	S F Mnisi		
Chief Financial Officer	M S Tlali		
Business Owner	M S Tlali		

EFFECTIVE DATE: 1 JULY 2010

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1. PURPOSE

- 1.1 The purpose of this document is to outline the comprehensive multi-year financial plan that will ensure long-term financial sustainability for the municipality.
- 1.2 A multi-year financial plan is essential to ensure that the municipality continues to implement its mandate effectively without impairing its capital base. It will also enable the municipality to move towards self-sufficiency in meeting the growing demands of service delivery.

2. BACKGROUND

- 2.1 A financial plan is prepared for a period of at least three years, however it is preferred that it should be for over a period of five or more years
- 2.2 A multi-year financial plan is prepared to ensure financial sustainability of the municipality, paying particular attention to the municipality's infrastructure requirements.
- 2.3 It is also an important component of the municipality's Integrated Development Plan.
- 2.4 A prudent multi-year financial plan identifies and prioritizes expected needs based on the municipality's Five-year Integrated Development Plan and details estimated amounts of funding from various sources

- 2.5 The multi-year financial plan will also ensure that the municipality has greater financial health and sustainability, making it easier to collaborate on projects with other levels of government and various public and private stakeholders. This will further enhance the ability of the municipality to have access to more financing, funding and grants.

3. FINANCIAL STRATEGY FRAMEWORK

3.1 Umjindi Municipality is a developing and growing municipality striving for service delivery excellence. Therefore many challenges are faced with regards to financial planning and are ever changing due to the dynamic setting of local government

3.2 The priority for the municipality, from the financial perspective is to ensure viability and sustainability of the municipality. The multi-year financial plan and related strategies will therefore need to address a number of key areas in order to achieve this priority. These strategies are detailed below:

3.2.1 Revenue Enhancement Strategy

- ✚ To seek alternative sources of funding;
- ✚ Expand income base through implementation of new valuation roll;
- ✚ The ability of the community to pay for services;
- ✚ Identification and pursuance of government grants;
- ✚ Tightening credit control measures and debt collection targets;
- ✚ Improve customer relations and promote a culture of payment;
- ✚ Realistic revenue estimates;
- ✚ The impact of inflation, the municipal cost index and other cost increases; and
- ✚ The creation of an environment which enhances growth, development and service delivery.

3.2.2 Asset Management Strategy

- ✚ The implementation of a GRAP compliant asset management system;
- ✚ Adequate budget provision for asset maintenance over their economic lifespan;
- ✚ Maintenance of asset according to an infrastructural asset maintenance plan;
- ✚ Maintain a system of internal control of assets to safeguard assets; and

- ✚ Ensure all assets owned and/or controlled except specific exclusions are covered by insurance.

3.2.3 Financial Management Strategies

- ✚ To maintain an effective system of expenditure control including procedures for the approval, authorization, withdrawal and payment of funds;
- ✚ Preparation of the risk register and application of risk control;
- ✚ Implement controls, procedures, policies and by-laws to regulate fair, just and transparent transactions;
- ✚ Training and development of senior financial staff to comply with prescribed minimum competency levels;
- ✚ Implement GRAP standards as gazette by National Treasury; and
- ✚ Prepare annual financial statements timeously and review performance and achievements for past financial years.

3.2.4 Operational Financing Strategies

- ✚ Effective cash flow management to ensure continuous, sufficient and sustainable cash position;
- ✚ Enhance budgetary controls and financial reporting;
- ✚ Direct available financial resources towards meeting the projects as identified in the IDP; and
- ✚ To improve Supply Chain Management processes in line with regulations.

3.2.4 Capital Financing Strategies

- ✚ Ensure service delivery needs are in line with multi-year financial plan;
- ✚ Careful consideration/prioritization on utilizing available resources in line with the IDP;
- ✚ Analyze feasibility and impact on operating budget before capital projects are approved;
- ✚ Determine affordable limits for borrowing;
- ✚ Source external funding in accordance with affordability;

- ✚ Improve capital budget spending; and
- ✚ Maximizing of infrastructural development through the utilisation of all available resource.

3.2.4 Cost-Effective Strategy

- ✚ Invest surplus cash not immediately required at the best available rates;
- ✚ Restrict capital and operating expenditure increases in relation to the inflation rate taking into consideration the macro economic growth limit guideline and municipal cost increases.
- ✚ To remain as far as possible within the following selected key budget assumptions:
 - Provision of bad debts of at least 2%;
 - Overall cost escalation to be linked to the average inflation rate;
 - Tariff increases to be in line with inflation plus municipal growth except when regulated;
 - Maintenance of assets of at least 6% of total operating expenditure;
 - Capital cost to be in line with the acceptable norm of 18%;
 - Outstanding external debt not to be more than 50% of total operating revenue less government grants; and
 - Utilisation of Equitable Share for indigent support through Free Basic Services

3.2.4 Measurable Performance Objectives for Revenue

- ✚ To maintain the debtors to revenue ratio below 10%;
- ✚ To maintain a debtors payment rate of above 90%;
- ✚ To ensure that the debtors return remain under 40 days; and
- ✚ To keep the capital cost on the Operating Budget less than 18%.

3.3 Financial Management Policies

3.3.1 The purpose of financial policies is to provide a sound environment to manage the financial affairs of the municipality. The following are key budget related policies:

3.3.2 **Tariff Policy** – the policy prescribes the procedures for calculating tariffs. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000;

3.3.3 **Rates Policy** – a policy required by the Municipal Property Rates Act, Act 6 of 2004. This policy provides the framework for the determination of rates;

3.3.4 **Indigent Support Policy** – to provide access to and regulate free basic services to all indigents;

3.3.5 **Budget Policy** – this policy set out the principles which must be followed in preparing a Medium-Term Revenue and Expenditure Framework Budget. It further ensures that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

3.3.6 **Asset Management Policy** – the objective of the policy is to prescribe the accounting and administrative procedures relating to property, plant and equipment;

3.3.7 **Accounting Policy** – the policy prescribes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognized Accounting Practices and Accounting Standards;

3.3.8 **Supply Chain Management Policy** – this policy is developed in terms of Section 11 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services

- 3.3.9 **Subsistence and Travel Policy** – this policy regulates the reimbursement of travelling and subsistence cost to officials and councilors attending official business
- 3.3.10 **Credit Control and Debt Collection Policy** – this policy provides for credit and debt collection procedures and mechanisms to ensure that all consumers pay for the services that are supplied.
- 3.3.11 **Investment Policy** – this policy was compiled in accordance with the Municipal Investment Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible
- 3.3.12 **Short-term Insurance Policy** – the objective of the policy is to ensure the safeguarding of Council's assets

4. REVENUE FRAMEWORK

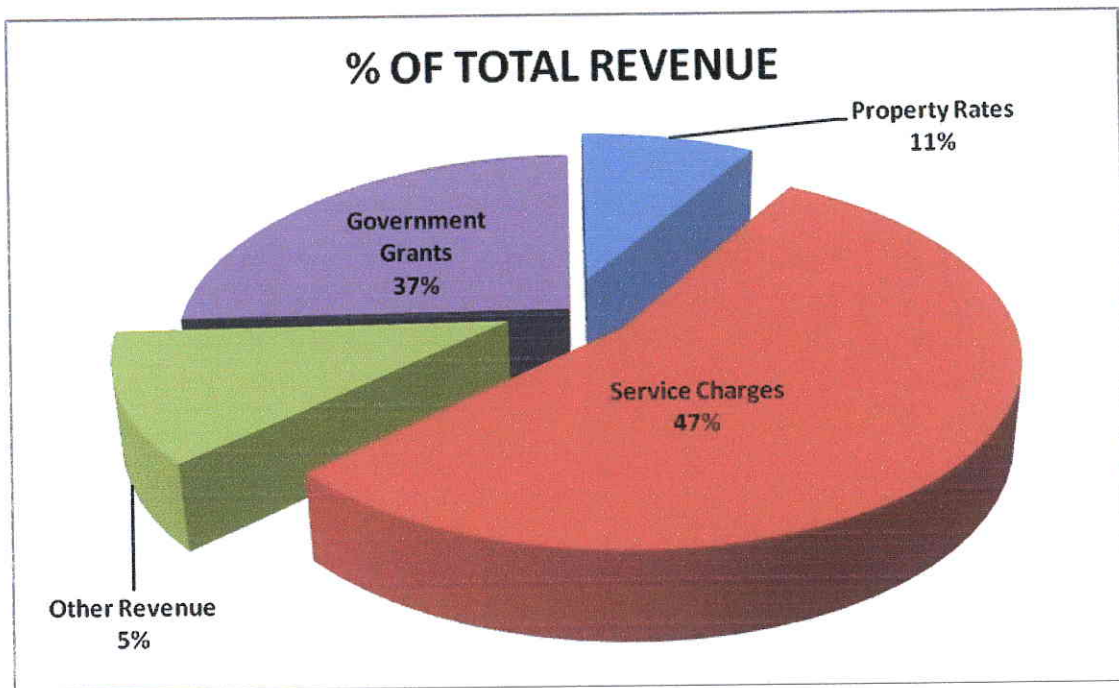
- 4.1 In order to serve the community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality
- 4.2 The reality is that we are faced with developmental backlogs and poverty, challenging our revenue generation capacity. The requests always exceed the available funds. This becomes more obvious when compiling the municipality's annual budget
- 4.3 Municipalities must table a balanced and more credible budget, based on realistic estimation of revenue that are consistent with their budgetary resources and collection experience
- 4.4 The revenue strategy is a function of key components such as:
 - 4.4.1 Growth in town and economic development;
 - 4.4.2 Revenue enhancement;
 - 4.4.3 Achievement of above 90% annualized collection rate for consumer revenue;
 - 4.4.4 National Treasury guidelines;
 - 4.4.5 Electricity tariff increases within National Electrification Regulator of South Africa (NERSA) approval;
 - 4.4.6 Approval of full cost recovery of specific department;
 - 4.4.7 Determining tariff escalation rate by establishing/calculating revenue requirement; and
 - 4.4.8 Ensuring ability to extent new services and recovering of costs thereof
- 4.4 The South African economy is slowly recovering from the economic downturn and it will still take some time for municipal revenues to increase through local economic growth.
- 4.5 Consequently cash flows are expected to remain under pressure for the 2010/11 financial year and a conservative approach is followed to project expected revenues and cash receipts.

4.6 The following table is a high level summary of the projected revenue for the municipality over the medium term

DESCRIPTION	APPROVED BUDGET 2009/10	BUDGET YEAR 2010/11	BUDGET YEAR 2011/12	BUDGET YEAR 2012/13
Operating Revenue by Source	R'000	R'000	R'000	R'000
Property rates	13 276	13 765	14 591	15 467
Electricity	39 846	58 202	61 694	65 395
Water	17 207	18 277	19 373	20 536
Sanitation	4 767	4 850	5 141	5 449
Refuse Removal	7 029	6 117	6 484	6 873
Grants	47 242	40 901	46 089	50 609
Interest & Inv Inc	500	500	530	562
Rent of facilities	509	439	465	493
Interest on O/S debt	1 608	1 550	1 643	1 741
Traffic fines	302 252	100 300	106 318	112 697
Fines	302	565	599	635
Licenses and permits	1 812	1 710	1 813	1 922
Other	48 275	13 352	3 130	3 318
TOTAL OPERATING REVENUE	182 373	160 228	161 552	173 000

4.6 Total revenue forecasted for the 2010/11 financial year reflects an increase of 12% from the 2009/2010 financial year.

4.7 The revenue forecasted over the medium term reflects an increase from R162 million in 2009/10 to R173 million in the 2012/13 financial year.



- 4.8 On average service charges jointly comprise 47% of the total revenue, property rates 11% and government grants 37%, whilst other revenues constitute 5%.
- 4.9 The Division of Revenue Act contains allocations from National and Provincial, which allocations are recognized as government grants and factored as follows over the medium term:

5. GRANT FUNDING

5.1 The Division of Revenue Act contains allocations from National and Provincial, which allocations are recognized as government grants and factored as follows over the medium term:

GOVERNMENT GRANTS	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2009/10	BUDGET YEAR 2010/11	FORECAST 2011/12	FORECAST 2012/13
OPERATING GRANTS				
Finance Management Grant	750,000	1,000,000	1,250,000	1,500,000
Municipal Systems Improvement Grant	735,000	750,000	795,000	842,700
Equitable Share	29,392,201	36,584,000	41,278,000	45,425,000
CAPITAL GRANTS				
Municipal Infrastructure Grant	16,719,000	18,630,000	19,196,100	20,234,600
Integrated National Electrification Grant	8,960,000	8,500,000	8,500,000	8,500,000
EPWP Incentive Grant	.	167,000	168,000	.
TOTAL	56,556,201	65,631,000	71,187,100	76,502,300

5.2 Government grants forecasted for the 2010/11 financial year reflect an increase of 16% from the 2009/10 financial year

5.3 Government grants forecasted over the medium term reflects an increase from R56,5 million in 2009/10 to R76,5 million in the 2012/13 financial year

5.4 The Equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities

5.5 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DORA)

5.6 The structure and components of the formula are summarized as follows:

Grant = BS + D + I + R+(-) C where:

BS = Basic Service Component

D = Development component

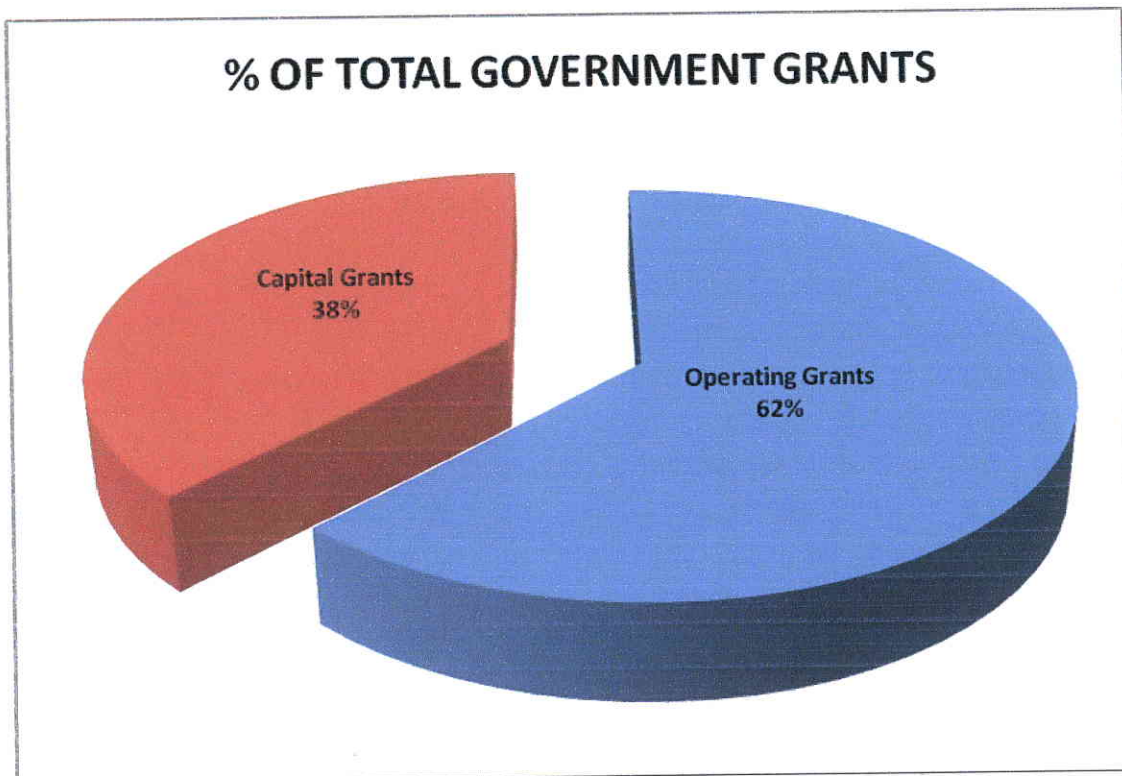
I = Institutional Support Component

R = Revenue-raising Capacity Correction

C = Correction and stabilization factor

5.7 It should be noted that the basic component support is only for poor households earning less than R1 200 per month and it also distinguishes between poor households provided with services and those provided with lesser or no services.

5.8 A municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme



5.9 Operating grants comprises 62% of the total government grants forecasted and capital grants only 38%

6. TARIFF SETTING

- 6.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the revenue is also derived from property rates and grants by national governments as well as other minor charges such as traffic fines.
- 6.2 As in the past, increase cost primarily driven by the Consumer Price Index (CPIX), dictates an increase in the tariffs charged to the consumers and the ratepayers. It therefore follows that all the tariffs will have to be increased by a percentage in line with the forecasted CPIX estimated at 6% for the 2010/11 financial year and 6.1% and 5.9% for the 2011/12 and 2012/13 financial years
- 6.3 It is realised that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.
- 6.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.
- 6.5 The latest figures released by Stats SA indicate contractions in several spheres of the economy and this confirms that the disposable income of households remain under a lot of strain.
- 6.6 By drastically increasing tariffs on essential commodities, more strain will be added for the already cash stripped resident households
- 6.7 Increases beyond the CPIX included in the medium term will only add to bad debt which is already high and a decline in the cash flow

6.8 It must be kept in mind that household cash flow will definitely be strained by tariff increase of ESKOM

6.9 The outcome of the increases in tariffs (Revenue) on different revenue categories is as follows:

DETAILS	2010/11 PROPOSED TARIFF INCREASE	2010/11 TOTAL BUDGETED REVENUE R'000
Property Rates	0	13 765
Electricity	31%	58 202
Water	6%	18 276
Sanitation	6%	4 850
Refuse Removal	8%	6 117
TOTAL		101 210

6.10 From the household perspective, how much more will be paid in rand is of more interest that the % increase in the various tariffs and rates

6.11 The implementation of the Credit Control and Debt Collection Policy, particularly with regards to the appointment of the Debt Collection Agency will aid in ensuring that the municipality reverts back to its collection rate of 97% over the past financial years. It is however envisaged that with the pressure on tariff increases to fund the medium term budget, the payment rate will become under pressure and special attention will have to be paid on managing all revenue and cash streams especially debtors.

6.12 The Equitable Share allocation is mainly used to provide free basic services to approximately 2000 indigents. Indigent support provided is as follows:

INDIGENTS AND FREE BASIC SERVICES		
	PER HOUSEHOLD	RAND AMOUNT
Free basic electricity per month	50 kWh	36.50
Free basic water per month	6kl	27.24
Free refuse and sewerage per month	Free	80.78
Free assessment rates per month	Free	47.25
		191.77

7. EXEPENDITURE FRAMEWORK

7.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

7.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)

7.1.2 Balanced budget constraint (expenditure cannot exceed revenue)

7.1.3 Capital programme aligned to asset renewal strategy

7.1.4 Operational gains and efficiencies resulting in additional funding capacity on the capital programme as well as redirection of funding to other critical areas, and

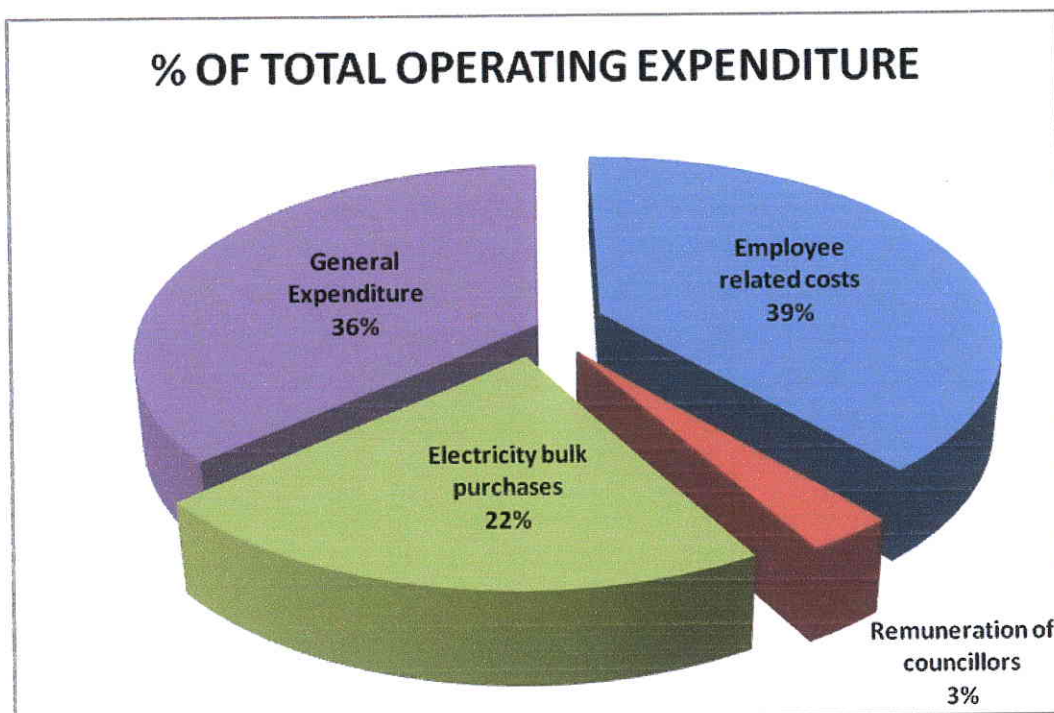
7.1.4 Strict principle of no project plan (business plan) no budget allocation (funding allocation)

7.2 The following table is a high level summary of the projected expenditure for the municipality over the medium term period and aligned to the IDP.

EXPENDITURE BY TYPE	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2009/10	BUDGET YEAR 2010/11	FORECAST 2011/12	FORECAST 2012/13
Employee related costs	50 160	54 711	57 696	61 158
Remuneration of councilors	4 085	4 270	4 955	5 451
Electricity bulk purchases	24 170	30 350	32 171	34 101
General expenditure	55 154	50 904	55 786	60 957
TOTAL OPERATING EXPENDITURE	133 569	140 235	150 608	161 667
Capital Expenditure	35 300	42 578	36 370	41 152
TOTAL EXPENDITURE	168 869	182 813	186 978	202 819
Depreciation and Asset impairment	40 000	50 000	53 000	56 180
TOTAL EXPENDITURE	208 869	232 813	239 978	258 999
TOTAL SURPLUS/(DEFICIT)	(11 339)	(30 007)	(42 056)	(44 847)

7.3 The medium term projections reflect an average growth of 21% over the next three years

7.4 The operating expenditure has increased by 36% against the 2009/10 full year forecast. The operating expenditure forecast equates to R140 million in the 2010/11 financial year and escalates to R162 million in the 2012/13 financial year.



- 7.5 In terms of the projected R58,9 million for the 2012/13 financial year, indicative salary increases have been included and represents 39% of the total operating expenditure forecast.
- 7.7 The cost associated with the remuneration of councilors is determined and informed directly by way of the Remuneration of Public Office Bearers Act 1998 (Act No. 20 of 1998)
- 7.8 Aligned to the best practice methodology of preserving and maintaining current infrastructure, the expenditure framework has essentially catered for infrastructure maintenance
- 7.9 Compared to the 2009/10 approve budget, the repairs and maintenance is forecasted to increase by 36% from R5,9 million to R8,1 million and represent 5% of the total operating expenditure forecast
- 7.10 Bulk electricity purchases remain the main increasing factor on operating expenditure with increases of R30 million, R32 million and R34 million respectively over the medium term

7.11 General expenses reflect a decline of 8% and constitute 36% of the forecasted operating expenditure

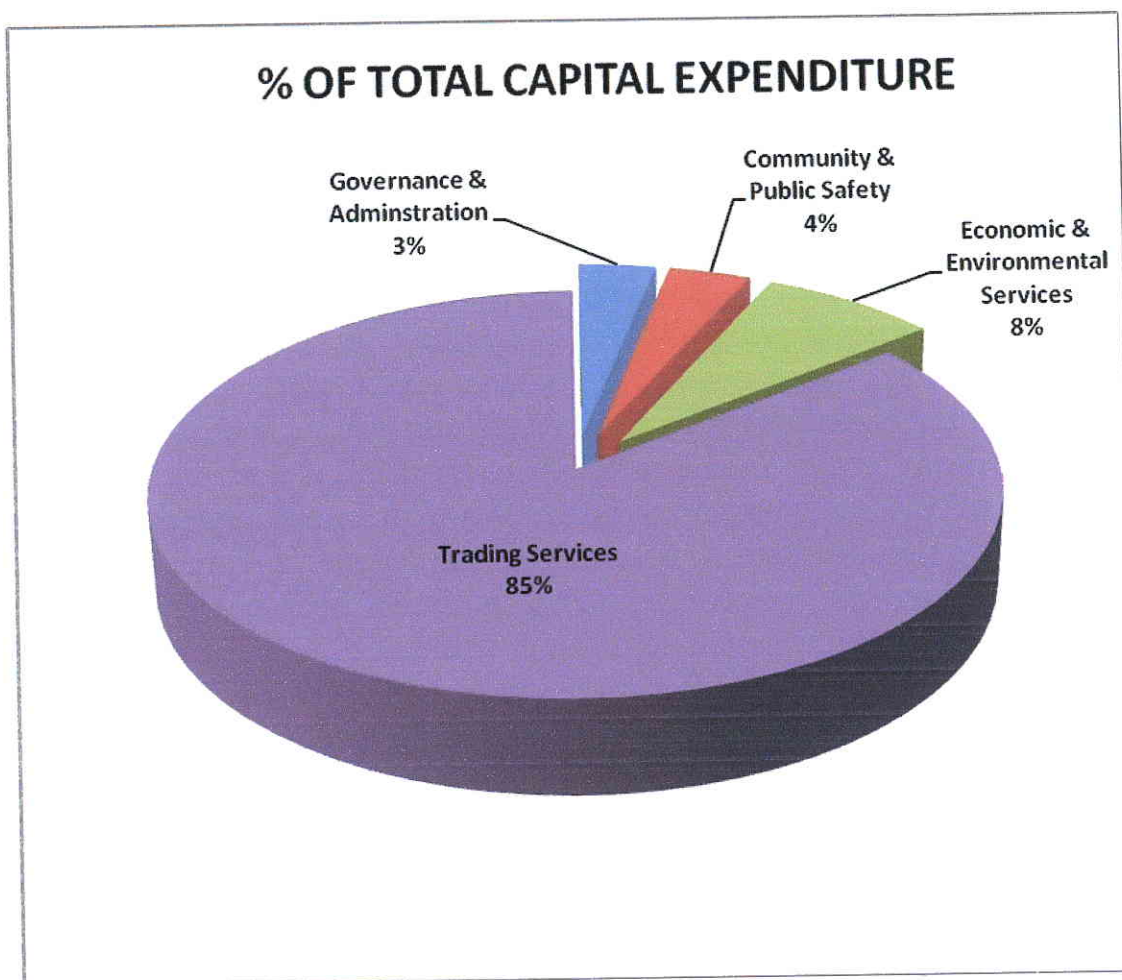
8. CAPITAL REQUIREMENTS & FUNDING

8.1 The following table indicates the projected Medium-term Capital requirements per Department.

8.2 These figures are based on the projects identified through the IDP process project phase and reflect estimated amounts based on the availability of funding.

CAPITAL EXPENDITURE BY VOTE	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2009/10 R'000	BUDGET YEAR 2010/11 R'000	FORECAST 2011/12 R'000	FORECAST 2012/13 R'000
Executive and Council		950	1,007	1,067
Budget and Treasury office	950	3,270	309	328
Corporate services		340		
Planning and Development	1,300	412	177	188
Public safety	596	1,030	1,092	1,157
Sport and Recreation	850	418	300	300
Waste management		335		
Waste water management	150	1,930	1,500	1,500
Road transport	6,546	4,199	3,000	3,000
Water	8,236	16,374	15,986	20,582
Electricity	8,960	13,320	13,000	13,030
TOTAL CAPITAL EXPENDITURE BY VOTE	27,588	42,578	36,371	41,152

- 8.3 It is imperative that capital budgets are prioritized to reflect consistent efforts to address backlogs in basic services and the refurbishment and expanding of existing infrastructure.
- 8.4 Cognizance should also be given that National Government has prioritized the quality of drinking water and failures in the management of waste water through the blue drop and green drop performance ratings.
- 8.5 Measures have to therefore be taken over the Medium Term Revenue and Expenditure Framework to implement these strategies to ensure that existing water supply and waste water comply with these requirements.
- 8.6 It is important to realise that these figures are only indicative of the different services and may vary as priorities change.
- 8.7 From the above it is clear that for the next three years many challenges lie ahead to appropriate capital expenditure towards available sources of funding and to obtain alternative funding sources to address the needs as identified in the IDP.



- 8.8 In terms of infrastructure development and to reach the government service delivery targets, 85% of the capital programme has been allocated for this purpose.
- 8.9 It can further be noted that 32% of the capital expenditure is allocated to the electricity services, 50% for water, 7% for roads and storm water and approximately 4% for sewerage services whilst the balance of 7% is for community and institutional requirements

8.10 The projected sources of funding over the medium term have been carefully considered and can be summarized as follows:

CAPITAL FUNDING BY SOURCE	MEDIUM TERM FINANCIAL PLAN			
	FULL YEAR FORECAST 2009/10	BUDGET YEAR 2010/11	FORECAST 2011/12	FORECAST 2012/13
OTHER TRANSFERS AND GRANTS				
		15,870,000	9,112,729	13,056,004
INTERNALLY GENERATED FUNDS				
NATIONAL GOVERNMENT				
Municipal Infrastructure Grant	16,082,000	18,042,000	18,590,271	19,595,996
Integrated National Electrification Grant	8,960,000	8,500,000	8,500,000	8,500,000
EPWP Incentive Grant	.	167,000	168,000	.
TOTAL	25,042,000	42,579,000	36,371,000	41,152,000

9. CONCLUSION

- 9.1 The continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all
- 9.2 The Financial planning imperatives contribute to ensuring that the Municipality remains financially viable and that municipal services are provided economically to all communities
- 9.3 The Multi-year Financial Plan contains realistic and credible revenue and expenditure forecasts which should provide a sound basis for improved financial management and institutional development as well as service delivery improvements and implementation.
- 9.4 The strategy towards cash backing will certainly ensure the sustainability of the Municipality over the medium-to long-term

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ANNEXURE A

PROPOSED TARIFFS – PROPERTY RATES

9.13 Property Rates

9.13.1 Property rates cover the shortfall on the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeted process

9.13.2 The categories of rate-able properties for purposes of levying rates and the proposed rates are as follows:

CATEGORY	CURRENT TARIFF 2009/10	PROPOSED TARIFF 2010/11
	c	c
Residential	0,9	0,9
Business & Commercial	1,8	1,8
Industrial	1,8	1,8
State owned residential	0,9	0,9
State owned non-residential	0,9	0,9
Agricultural residential	0,9	0,9
Agricultural non-residential (Land solely for farming)	0,9	0,9
Agricultural non-residential (Business)	0,9	0,9
Agricultural vacant land	4,5	4,5
All non agricultural land	4,5	4,5
All non-permitted use	4,5	4,5

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ANNEXURE B

PROPOSED TARIFFS – ELECTRICITY

9.16 Electricity

9.16.1 The current proposed electricity tariff increase applicable to residents for 2010/11 is 31%.

9.16.2 The estimated revenue amounts to R58 million owing to the 31% proposed tariff increase

9.16.3 All residents of Umjindi including registered indigent household will continue to get and be granted 50 kWh per month free of charge

9.16.4 The following table indicates the proposed electricity charges (**VAT EXCLUDED**) for the 2010/11 financial year

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	R	R
DOMESTIC (HOUSEHOLD, FLATS, GUEST HOUSES, CHURCHES & SCHOOLS WITHOUT KVA AND AGRICULTURAL HOLDINGS)		
Domestic Basic Charge		
Domestic with no consumption for 30 days and longer	114,00	149,35
Residential 0 – 50 units	Free	Free
Residential 51 units – above	114,00	149,35
Domestic Energy Charge of Electricity		
Conventional 0 – 50 units	Free	Free
Conventional 51 units – above	0,56	0,73
Pre-paid 0 -50 units	Free	Free
Pre-paid (single or three phase) 51 units – above	0,65	0,85

Liveline 0 – above	0,598	0,639
Domestic Bulk		
Standard Supply	0,585	0,766
Time of use		
Peak	1,62	2,12
Standard	0,34	0,445
Off-peak	0,234	0,306
COMMERCIAL (MUNICIPAL , BUSINESS ETC)		
Basic Charge (conventional)		
Three phase (including vacant stand)	482,00	631,42
Single phase (including vacant stand)	422,00	552,82
Energy Charge of Electricity		
Charge per unit	0,56	0,734
Business consumption (Pre-paid)	0,65	0,85
INDUSTRIAL (MUNICIPAL, BUSINESS, SCHOOLS WITH KVA ECT)		
Low Voltage 400 V (Demand Scale)		
Metered KVA	73,50	96,30
Charge per unit	0,34	0,445
Basic charge (including vacant stands)	620,00	812,20
Time of use		
Peak	1,62	2,12
Standard	0,34	0,445
Off-peak	0,23	0,301
KVA 11000V		
Metered KVA	73,00	95,35
Charge per unit	0,264	0,35

Basic charge (including vacant stand)	620,00	812,20
Time of use		
Basic charge	620,00	812,20
Demand charge per kVA (30 min periods)		
Energy charges		
Peak		
High Demand (June – August)	0,994	1,30
Low Demand (September – May)	0,32	0,42
Standard		
High Demand (June – August)	0,302	0,400
Low Demand (September – May)	0,218	0,285
Off-peak		
High Demand (June – August)	0,17	0,223
Low Demand (September – May)	0,148	0,195
CONNECTION CHARGES AND OTHER MAINTENANCE		
Single phase pre-paid meter	3 820,00	4 150,00
Single phase conventional meter	3 745,00	4 050,00
Single phase pre-paid meter (Poverty)Indigent	Free	Free
Three phase pre-paid meter	6 340,00	6 850,00
Three phase conventional meter	6 155,00	6 650,00
Change conventional to pre-paid meter (single phase)	625,00	675,00
Change conventional to pre-paid meter (three phase)	3 157,89	3 400,00
Change pre-paid to conventional (Single phase)	650,00	700,00
Change pre-paid to conventional (Three phase)	1 280,00	1 380,00
PENALTIES: TEMPERING WITH ELECTRICITY METERS		
Domestic Consumer (Pre-paid & Conventional)		
First Offence		

Without damage to installation	1 500,00	1 620,00
With damage to installation	2 200,00	2 380,00
Second Offence		
	2 800,00	3 025,00
Third Offence		
Legal action and removal of meter		
SELF – RECONNECTION		
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tampered with; and • Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	1 800,00	1 950,00
Business Consumers and Large Power users		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tampered with	4 800,00	5 185,00
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tampering with any meter on his/her property		
Testing of Meters (Section 9(1) of By Laws)	220,00	240,00
Attendance to complaint other than fault in council's supply or equipment (per call)	220,00	240,00
Testing of electrical installation (Section 16(8)b of By-	320,00	350,00

Laws) – On request of consumer		
Replacement of tariff circuit breakers with		
Higher circuit breaker per phase	250,00	270,00
Lower circuit breaker per phase	250,00	270,00
Consumer is of the opinion tariff circuit breaker tr current value that its rating		
Tariff	215,00	232,00
Per circuit breaker	98,00	105,00
(These costs are refundable at non-compliance)		
After a tariff circuit breaker has been tested, the Engineer's finding as to the tariff circuit breaker's compliance with the provisions of these By-Laws shall be final and a tariff circuit breaker shall be regarded as complying with the provisions of these By-Laws if the test proves that it does not trip within 30 minutes when it passes a steady current of 5% below its rating		
Aggregate of units determined by Council Engineer		
Testing/fault finding on electrical cables		
First 2 hours	850,00	920,00
Every hour thereafter	325,00	350,00
Plus: Travel cost	Actual cost	Actual cost
Tariff classification		
In the event of a dispute regarding the tariff under which a consumer is classified, Council's decision shall be final		

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ANNEXURE C

PROPOSED TARIFFS – WATER

9.14 Water

9.14.1 A 6% increase in water tariffs applicable to the residents of Umjindi is proposed, generating R1 million additional revenue, and R18 million in total

9.14.2 A summary of the proposed tariffs (**VAT EXCLUDED**) for households (residential) and non-residential are as follows:

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	Per kl R	Per kl R
Monthly Basic Charge per Category		
Residential 0 – 6 kl	Free	Free
Residential: Developed & Churches	30,50	31,85
Residential: eMjindini Developed & Churches	27,24	28,88
Residential: Undeveloped	55,65	58,99
Business	55,65	58,99
Prison farm	81,090	85,955
Purified Water per Month		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	4,28	4,54
26 kl – 35 kl	4,30	5,16
36 kl and above	4,32	5,18
Unpurified Water to Industries and Crocodile Farm		
First 500 kl or part thereof	393,24	416,83
Above 500 kl	1,39	1,47
WATER RESTRICTIONS IN CASE OF DROUGHT		

Monthly Basic Charge (Dam Water Level @ 85%)		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	4,28	5,16
26 kl – 35 kl	4,30	5,18
36 kl and above	4,32	5,50

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	Per kl R	Per kl R
WATER RESTRICTIONS IN CASE OF DROUGHT		
Monthly Basic Charge (Dam Water Level @ 85%-75%)		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	4,28	5,16
26 kl – 35 kl	4,30	5,50
36 kl and above	4,32	7,00
Monthly Basic Charge (Dam Water Level is below 70%)		
No watering of gardens and washing of cars with garden hoses		
Residential Consumer 0 – 6 kl	Free	Free
All consumers 7 kl – 25 kl	4,28	5,16
26 kl – 35 kl	4,30	7,00
36 kl and above	4,32	15,00
New Connection Charges		
	Cost + 15%	Cost + 15%
Testing of Meter		

Where meter show an error of less than 2,5%	106,00	112,36
Where meter show an error of more than 2,5%	N/C	N/C
Water Connection		
Water connection	1 123,60	1 191,02
Poverty (Indigent) tariff (A281/2005)	357,22	378,65

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	Per kl R	Per kl R
PENALTIES: TEMPERING WITH WATER METERS (RECONNECTION FEE)		
Domestic Consumers (Pre-paid & Conversional)		
FIRST OFFENCE		
Without damage to installation	1 134,20	1 202,25
With damage to installation	1 817,90	1 926,97
SECOND OFFENCE	1 187,90	1 926,97
THIRD OFFENCE		
Legal action and removal of meter		
SELF – RECONNECTION		
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with;		

and		
• Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	1 987,50	2 106,75

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	Per kl R	Per kl R
BUSINESS CONSUMERS AND LARGE POWER USERS		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tempered with	3 710,00	3 932,60
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tempering with any meter on his/her property		

UMJINDI LOCAL MUNICIPALITY

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ANNEXURE D

PROPOSED TARIFFS – SANITATION

9.15 Sanitation

9.15.1 The tariff is proposed to be increased by 6% from 1 July 2010

9.15.2 The total revenue expected to be generated from rendering this service amounts to R4,8 million for the 2010/11 financial year.

9.15.3 The following table indicate the proposed tariffs (**VAT EXCLUDED**) to be implemented with effect from 1 July 2010:

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	R	R
Private Residential Purposes		
For every 100m2 or portion thereof	4,77	5,06
Maximum	93,02	98,60
Prisons		
For every 100m2 or portion thereof	4,77	5,06
Maximum	2 173,00	2 303,38
Other Land		
For every 100m2 or portion thereof	4,77	5,06
Maximum	1 303,80	1 382,03
Domestic sewerage		
Per water closet pan, urinal or compartment	14,15	15,00
Connection fees		
	Cost + 15%	Cost + 15%
Sewerage Connection Fees		
Sewerage connection fees	975,20	1 033,71
Poverty (Indigent) tariff	464,81	492,70
Sewerage Blockages Private Properties		

Weekdays (Office Hours)		
First half hour or portion thereof	295,21	312,92
Every additional half hour or portion thereof	139,00	147,34
Saturdays & After Hours		
First half hour or portion thereof	476,47	505,06
Every additional half hour or portion thereof	238,50	252,81
Sundays & Holidays		
First half hour or portion thereof	476,47	505,06
Every additional half hour or portion thereof	225,00	238,50

UMJINDI LOCAL MUNICIPALITY

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ANNEXURE E

PROPOSED TARIFFS – REFUSE REMOVAL

9.14 Refuse Removal

- 9.14.1 Currently refuse removal is operating at a loss/deficit. In normal practice terms, the rendering of this service should at least break-even, which is currently not the case. Umjindi will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the long-to-medium-term.
- 9.14.2 Refuse removal tariffs are proposed to be increased with 8% from the 1 July 2010 to ensure that costs are recovered
- 9.14.3 Revenue of R6 million will be generated through the tariff increase and anticipated growth in service rendering.
- 9.14.4 The following table indicates a comparison between current and proposed amounts payable from 1 July 2010 (**VAT EXCLUDED**)

CATEGORY	CURRENT TARIFFS 2009/10	PROPOSED TARIFFS 2010/11
	R	R
Once per Week		
1 st Bin – All sections	47,00	50,76
Daily Removal		
1 st Bin	172,25	186,03
2 nd Bin	121,64	131,37
OTHER REMOVALS		
Special removals 6 per m3	577,17	623,34
Bulk containers/Bins (Business)	204,37	220,72
Rental of Bulk containers/Bins (Maximum 3 days)	240,36	259,58

Unsound foodstuff per removal	621,69	671,43
Cleaning of Erven per m2	1,06	1,14

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ANNEXURE F1 to F9

PROPOSED TARIFFS – OTHER

9.17 Other tariffs

9.17.1 The tariffs for all other services rendered i.e approval of building plans etc, will be increased with an inflation related percentage of 6%

9.17.2 The proposed tariffs for the various services are attached as Annexure to this report

9.17.3 The shortfall owing to these tariffs not always covering costs is funded through property rates.